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# China Report

ECONOMIC AFFAIRS

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24 June 1985

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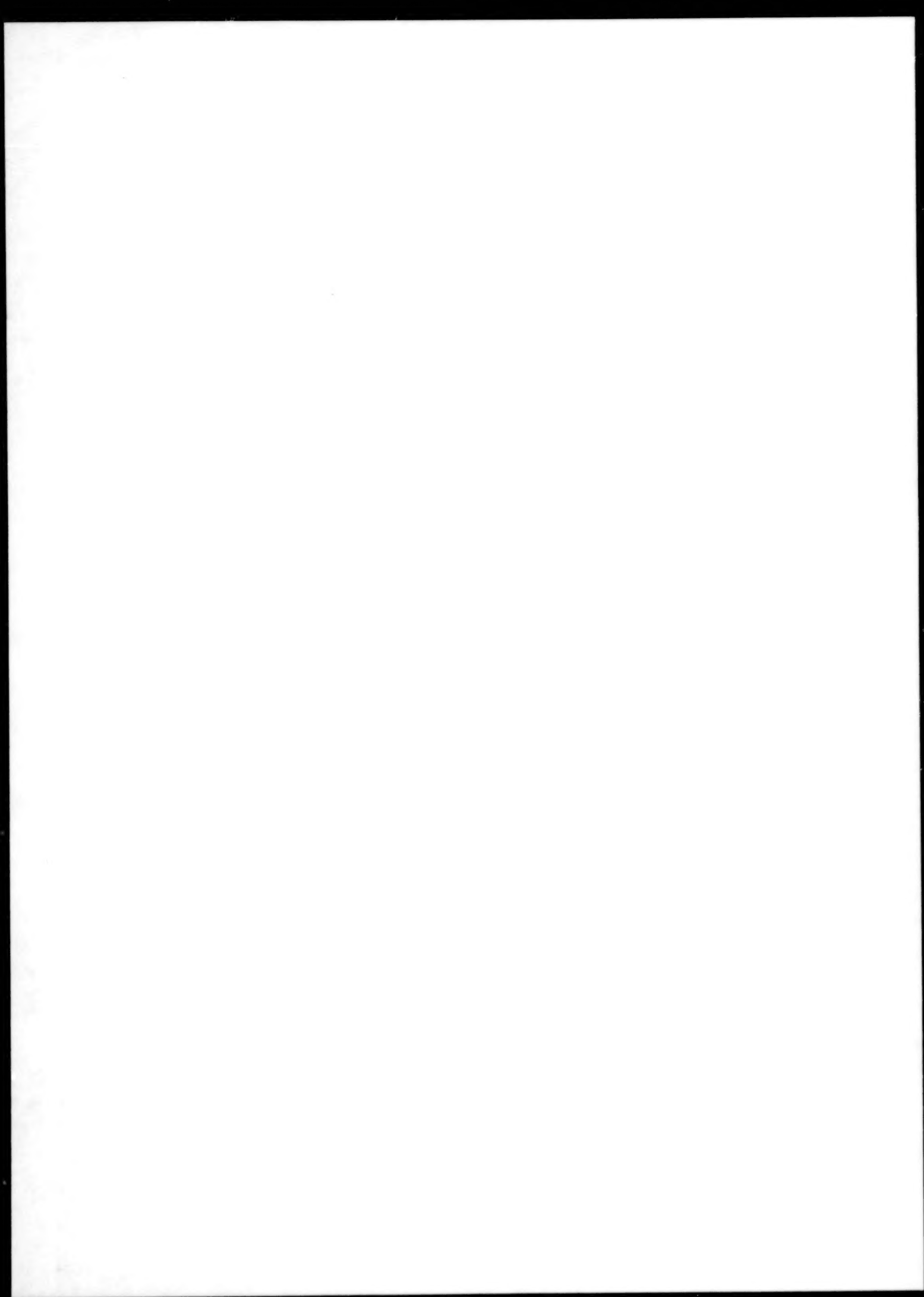
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## NATIONAL POLICY AND ISSUES

### PROBLEMS IN ESTABLISHING LEGAL SYSTEM IN ECONOMIC REFORM

Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 12, 5 Dec 84 pp 22-24

[Article by Jin Nenggang [6855 5174 0474] and Zhang Hong [1728 5725]: "Some Problems Requiring Attention When Establishing the Legal System in the Course of Economic Reform"]

[Text] There are many problems in connection with the legal system as it relates to the restructuring of our economic system. The problems are very delicate and consist, roughly speaking, of two kinds: problems relating to legislation, and problems of law enforcement. We shall discuss here some of the principles involved, presenting our own views, though possibly crude and superficial, for the reference of the departments that are concerned with these problems.

#### I. Problems Relating to Legislation

We shall discuss here a variety of problems, such as the clearing up of old and compiling of new laws and regulations, the overall planning of economic legislation, the jurisdiction of central and local authorities, the relationship between policies and law, the revision of the penal law, and other legislative work to be carried out.

##### A. The Problem of Clearing Up Old and Compiling New Laws and Regulations

During the 35 years since the establishment of the PRC, laws and regulations have been formulated and promulgated in the thousands by the various departments in charge of affairs, from the central authorities down to the local authorities (including policy documents that have had legal effect). Clearing up all these laws and regulations, and summing up the experiences and lessons that they impart, is of greatest significance for the future establishment of China's legal system. In the work of clearing up old and compiling new laws and regulations, which is now being carried out in various relevant departments, we encounter more or less the following types: One type of laws and regulations is no more suitable to meet the needs of the new era. These laws and regulations must be filed away as historical documents and must no longer be applied. One type are laws and regulations of which parts are still effective or some parts are articles that must be revised, adjusted and

supplemented. These should indeed be revised according to proper legal procedure and remain in force. One type are laws and regulations that remain fully valid. There is also one type where the same or similar content is contained in different laws and which should still remain valid.

After due adjustments and study, these provisions should be combined and enacted as a new law for continued application. The work of clearing up old and compiling new laws and regulations is voluminous and involves a variety of departments and the expenditure of much manpower. Should a mistake occur in even only one section of this work, it would destroy the accuracy of the entire undertaking. To be effective, this work requires, therefore, that a foundation be built up in pilot projects, that an effective and carefully worked out organizational program be set up, and that the work be carried out step by step in a planned way. At the same time we should consider using computers to accomplish the work of assembling, classifying and analyzing all laws and regulations, so as to save manpower, material and time, and also to gather experiences in the use of computer technology in legislative work.

#### B. The Problem of Overall Planning of Economic Legislative Work

In the "Resolution on Restructuring the Economic System" passed by the 3d Plenum of the 12th CPC Central Committee, it was pointed out: "The restructuring of our economic system and the development of the national economy make it necessary to provide legal affirmation for an increasing number of economic relations and economic principles." In the wake of the economic restructuring now under way in China's urban and rural areas, a large number of economic laws and regulations will from now on be drawn up and promulgated. In the course of economic legislative work, we must distinguish between primary and secondary, important and less important, priority and less urgent items. Legal provisions that are urgently needed must be drawn up first, even if there should be difficulties. Where no urgency exists for the time being, legal provisions may be deferred. There must be no perfunctory legislation just because one feels rushed for time, wants to show some achievement and is overanxious for quick results, because law must be of a relatively stable character. If a law is drawn up without careful consideration and before mature conclusions have been reached, it may have to be amended before the day is over. This would leave the people in a state of confusion and destroy the prestige of the law.

When a certain law is to be written, not only the department directly in charge of the work concerned, but all other relevant departments and specialists doing research in related disciplines, should jointly take part in the drafting of the law. First, the purpose of the intended law, and the relations, principles and relevant questions that are to be regulated by it, must be studied and established, and only then should drafting be taken in hand. Otherwise, if the purpose is not well defined and no clear idea has been established of the concrete questions involved, the law may indeed be drafted, but will then frequently in various stages become entangled in certain problems of basic principles and will have to undergo repeated revisions with much wastage of time. Moreover, certain enforcement regulations complementing the law in question should also as far as possible be drawn up at the same time as the law itself, so that legislation is a



complete whole, all done at the same time, and that once a law is enacted it can be usefully applied. Otherwise, a fundamental law will come into existence, while its supporting legal provisions cannot catch up and will leave the law an empty frame. It is quite possible to achieve legislation that is complete in this sense, because every law must have been discussed in detail, also as to its enforcement, at the drafting stage; without such discussions, legislative work would not be possible. It is therefore necessary, if at all possible, to draw up enforcement regulations at the same time that a law is drafted. This will save much time and effort, as compared to delaying the enforcement regulations until after the law has been enacted. If there is really no possibility to do it this way, one may promulgate tentative regulations and revise them after a certain amount of experiences have been gathered.

### C. The Problem of Legislative Jurisdiction of the Central Authorities and Local Authorities

According to the provisions of the constitution which are intended to preserve the unity of the socialist legal system, all legislative power is vested in the National People's Congress and its Standing Committee, while the State Council has legislative power in administrative matters. On the local level, the people's representative assemblies and their standing committees in the provinces and directly administered municipalities "may enact laws and regulations of a local nature, as long as they do not conflict with the constitution, laws and administrative laws and regulations. Such local laws and regulations must be reported to the Standing Committee of the National People's Congress, where they are to be kept for the record." People's representative assemblies of county or lower rank and governments of provincial and lower rank have no legislative powers. Although the autonomous regions of the national minorities have certain legislative powers, such legislation is only effective after having been reported to higher empowered authority and after their approval. This is one element to be considered in the question of legislative powers. Viewed from the angle of overall economic arrangements, of the development of commodity production and of revitalizing the economy, economic laws and regulations should not be of a territorial character, and legislative power in economic matters can, therefore, only be controlled by the single level of the central authority. We know that every piece of legislation has certain flexible provisions that allow certain adaptations; these allow the local authorities the power to determine enforcement regulations, supplementary provisions or methods of application concerning certain laws, based on the specific conditions of their locality. This method is consistent with China's national conditions. However, should the local laws, regulations or resolutions conflict with the constitution, laws and administrative laws and regulations, the Standing Committee of the National People's Congress has the right to abrogate them. The special economic zones (SEZ) too have no legislative power, because, on the one hand, the constitution does not provide for such, and, on the other hand, the unity of China's socialist legal system could not be assured if each SEZ possessed legislative power, by means of which they would accentuate their special and unique local conditions. If the central authorities entrust a certain locality with the responsibility to draft a law that relates to the locality in question, this is only a matter of legislative convenience; the final

approval, i.e. the legislative power, still rests with the central authorities.

#### D. The Problem of the Relationship Between Policy and Law

Following the progress in our economic construction and the intensified restructuring of the economic system, many new policies will be formulated, and some of these will gradually assume the force of law. However, due to lack of experience and restraints made by work habits, it will be difficult to determine the transformation of a policy into a law. We therefore might consider selecting several territories of typical significance and first decide on trying them out as with legal force or as provisional regulations separately for each area. After gaining experience by such trial applications, and through comprehensive study of the methods in the various districts, the authorized central organ may then draw up a uniform law or regulation. If it is considered possible, according to past experiences and in light of practices or common methods in other countries, to give legal effect to certain policies, there would be no need to undergo a trial phase, and such policies could be directly enacted as law.

#### E. The Problem of Revising the Penal Law

According to the way the law was enforced over several years, some articles of the penal code are no longer suited to meet the needs of the contemporary economic reform and require revision. For some economic relations that need protection we cannot find any appropriate articles in the penal law. Some articles have been interpreted in the past with certain limitations and now require broader interpretations. Some comrades believe that the problem can be solved without the need for revisions of the penal law if we only insert penalty clauses into our economic legislation. Not only is this view inconsistent with the demand to ensure unity in our legal system and with the spirit of our constitution, but it is also unfeasible in our judicial practice. For instance, the courts can only convict criminals and mete out punishment based on the provisions of the criminal law, and cannot go by any other laws. Otherwise, cases would be adjudicated in contravention of the principle of strictly applying the law. In economic legislation we can, therefore, only have articles that provide for economic or administrative penalties and none that provide for punishments for crimes.

#### F. The Problem of Carrying Out Other Legislative Work

Among these tasks is mainly the strengthening of administrative legislation and enabling it to catch up with the pace of economic legislation. There are two lines of thought on this matter: First, because China is a socialist country, the state has leadership over the entire economy, but this leadership can no longer be exercised by relying merely on administrative directives, as was done in the past. Under the conditions of the current economic reform, the economic leadership of the state must consciously operate according to economic laws and legal means. In the economic activities of all three parties involved, the state, the collective and the individual, there must be proper laws and regulations to rely upon. We therefore require a large amount of administrative legislation to provide the legal basis for the directives and



guidance of the leading organs. Second, as the economic leadership of the state is affected by the common endeavors of the entire body of state's working personnel at their diverse posts, many undertakings seem to show no direct microeconomic results while macroeconomic returns are very large indeed. For instance, if comrades engaged in planning work work painstakingly, accurately and produce appropriate plans, the entire economic development will progress in a normal way. If the plan is fixed excessively low or excessively high, economic developments will suffer adverse consequences. In other words, all economic work is directly or indirectly affected to a greater or lesser extent by the quality of the individual cadre and the quality of work performance. Enacting administrative laws concerning the system of personal responsibility of cadres and the system of evaluating cadres for employment will encourage the majority of cadres to perform to the best of their ability, to bear full responsibility for their actions and to work with all their energy. This will also do away with any irresponsible bureaucratism and enable the punishment according to law of the small minority of cadres who commit serious dereliction of duty or violate the law and discipline in misusing the powers of their office. We must, moreover, enact labor legislation to ensure that China's abundant manpower resources are brought fully into play to meet the needs of economic construction.

## II. Problems of Law Enforcement

Speaking of the legal system, the very best of laws will only be scraps of paper if we only have legislation without assurance that the laws will be implemented and enforced. The resolution of the 3d Plenum of the 12th CPC Central Committee points out: "The state's legislative organs shall speed up economic legislation; the courts of law shall strengthen adjudication of economic cases; the procuratorates shall strengthen the investigation of economic crimes; the judicial departments shall work energetically to provide laws for the benefit of economic construction." Enforcement is just as important as legislation. In the future, following the development of economic diversification and the reform of the structure of economic management, an increasing number of economic disputes will be resolved by legal methods; this is consistent with the laws of economic development. However, China's present law enforcement agencies are a weak force and cannot very well adapt to the rapid economic growth. This is mainly apparent in the following two aspects:

First, as to the types of economic cases handled by the people's courts, there are all kinds of disputes over economic contracts, disputes over compensation for economic losses, and cases concerning economic administration and other economic disputes. According to the letter of the law, all these disputes must be adjudicated by the people's courts, but for a variety of reasons, it is impossible to make provisions in the laws for every one of these types of economic disputes that the courts should handle. Cases where an employee of the state in the course of performing his duties unlawfully interferes in or violates the legitimate interests of an enterprise or individual entrepreneur must be handled by the courts or other law enforcement agency. Since many cases will emerge in the course of the economic reform where economic relations will have to be readjusted, the law enforcement agencies must accordingly raise their work efficiency and improve in the work of adjudicating cases.

Second, as to work methods, the work methods of the people's courts and of the various arbitration agencies, which are the main law enforcement organs, are always "passive" in form. The arbitration agencies cannot on their own initiative take charge where there is no request from one of the parties to a dispute; a lawsuit cannot be initiated, and the people's courts cannot go into action, without a plaintiff and a defendant. If in some abnormal situation, a case that according to law should have been handled by the arbitration agencies or the people's courts is resolved by employing a "private," possibly illicit, method, the case may appear to be closed and peace restored, but in actual fact the interests of the state have been injured. In such situations, one should of course not take a laissez-faire attitude. Although the solution of many cases can in these respects be effected in the course of the economic supervisory work by the auditing agencies and by the administrative organs in charge of industry and trade as set up according to provisions of the constitution, and also in the course of the judicial suggestions submitted by the people's courts, all this is not yet sufficient. Because the work of the auditing agencies is concerned with financial checking and supervising of state organs and enterprise units, if the problem is a comprehensive one or is not within the scope of public finance, the auditing agencies cannot or will find it inappropriate to interfere on their own.

The economic supervisory work of the administrative organs in charge of industry and trade covers a wide area. For instance, in maintaining order in urban and rural markets, they have authority to investigate illegal business activities; in controlling the conclusion and fulfillment of economic contracts, they can invalidate economic contracts or investigate and ascertain illegal economic contracts, etc. However, this economic supervisory work is in general directed against a particular body of illegal economic activities and will not extend to the responsibility of personnel in charge, especially not to the administrative responsibility of the cadres in charge. Results are, therefore, frequently unsatisfactory. As to judicial suggestions submitted by a people's court after discovering in the course of its adjudicative work some mistake committed in the economic work of a certain organ, this may occur occasionally, but there are no binding provisions in the law, so that the organ concerned may or may not take action on the suggestion; the court will find it inexpedient to follow the matter up any further. In view of the above-stated conditions, establishment of an enforcement organ with a kind of "active form" work method, with broad jurisdiction and also capable of pursuing administrative responsibilities of responsible cadres, will much more effectively and more energetically act in all cases of illegal activities.

According to the provisions of Articles 89 and 107 of the Constitution, the State Council and local people's governments at the county level and above are authorized to "supervise and check" the content of such work. However, the supervisory work is currently not the responsibility of a special organ as in the case of auditing work. It is, therefore, necessary to set up a special supervisory organ to exercise these functions, in order to remedy the shortcoming in our law enforcement work. This is a problem that many organs hope will now also be resolved.

To sum up, according to experiences and lessons gained since the establishment of the PRC, the outstanding characteristic of the new historical era is rule by law. Every policy and every item of work must be institutionalized and legalized, and must proceed along the paths prescribed by the legal system. The reform of the economic system can also be no exception in this respect.

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## PROVINCIAL AFFAIRS

### TRANSFORMATION OF FORESTRY INTO COMMODITY ACTIVITY URGED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese, No 4, 5 Apr 85 pp 6-8

[Article by Liao Wuwo [1675 2477 2053]: "Deregulate the Lumber Market and Make Forestry Production Part of the Commodity Economy"]

[Text] Part of the current rural economic policy announced this year by the Party Central Committee is the policy of further relaxing restrictions on the mountain areas and forestry districts and "abolishing unified timber procurement, deregulating timber markets, allowing timber from tree farmers and collectives liberal access to markets, and carrying out free buying and selling." For a province such as Fujian, in which collective forests are predominant, this means that lumber is no longer a material to be allocated by the state but a commodity that may directly enter the market. This significant policy decision will certainly spur the development of forests. We should conscientiously carry out this Central Committee decision, hasten the construction of Fujian's forestry bases and realize "the promotion of forests to abundance and the enrichment of mountains and of people."

In Fujian the warm climate, abundant rainfall, and fertile mountain land all favor the growing of forests. Annual tree production is 5.6 percent, twice the national average. Fujian's percentage of forest cover is second in the nation. Given their abundance, forests should produce tremendous economic and social results in Fujian's development. The peasants in mountain areas should also be relatively well off. In reality Fujian's forestry is economically weak. In 1983, the province's forestry output value was 528 million yuan and that of forest industries was 651 million yuan. The sum of these two figures is only 1.179 billion yuan, or only 6.1 percent of Fujian's gross value of industrial and agricultural output [GVIAO]. The economic development of forests has also been slow. From 1976 to 1983, forestry [which hereafter includes forest industries] grew at an average annual rate of 6.58 percent, while the growth rate in industry and agriculture for the same period was 9.47 percent. This shows that the growth rate in forestry was lower than that in industry and agriculture. Forestry makes up only a small proportion of Fujian's GVIAO. Furthermore, this proportion has tended to decline. In 1976 it was 8.35 percent, by 1983 it had dropped to 6.1 percent. Jianou is a county renowned for its forestry both in Fujian and nationwide. It has 5 million mu of mountain forests. It turns over 200,000 to 300,000 cubic meters of lumber to the state every year. When income from other mountain forests is



added, the income from forestry accounts for only 14 percent of gross agricultural income. The average per capita income of 291 yuan in 1983 was lower than the provincial average. If Jianou is like this, one gets the idea of what forestry is like in other counties. As a result, over the long run "there are rich mountains but poor people, abundant forests but little money, sizeable input but low output value and low income and a poor populace." The reasons for this are eating from the same big pot and prices that deviate from value and which neglect the entrepreneur's interests.

For a long time lumber production basically consisted of unified purchase, allocation and distribution of logs. The price of lumber, especially for unprocessed logs, was artificially low. When peasants sold 1 cubic meter of wood, they only received 20-odd yuan. This was only enough to offset the cost of felling and shipping. Peasants in outlying areas even had to underwrite their costs. Thus the people contributed much but benefited little. After the state purchased and allocated the lumber, it annually invested a sizeable amount to support construction in forest industries. This sum, however, was not directly returned to the tree farmer. It was primarily invested in repairing roads and railways servicing forests, collecting and transporting lumber, and other capital construction for the benefit of forest industries.

In recent years the methods of lumber purchasing have become more flexible. Aside from the continued unified purchase, allocation, and distribution of most lumber by the state, some is not handled in this fashion. The disposition of these lumber products is less regulated, and in the main, localities sell them themselves. Although this is naturally a good thing, there are numerous taxes and fees to be paid. In some counties dealing in non-state-procured pine, the price per cubic meter is 200 yuan. The following deductions are made therefrom: 20 yuan for taxes, 80 for afforestation expenses, 8 for improvement funds, 8 for cultivation funds and 10 for agent's fees. In all, more than 100 yuan are deducted, and only 52 yuan return to benefit the commune. The commune then extracts a portion from this, leaving the tree farmer with very little. A cadre in a forest area described it figuratively: Lumber is like a plate of delicious roast duck. Anyone can stretch his chopsticks toward it. When it's the owner's turn to eat, all that's left is an empty plate. How can the tree farmer be enthusiastic about forestry and how can the forest areas become prosperous when things are like this? Thus the Central Committee decided that in collective forest areas, unified lumber procurement is to be abolished, lumber markets are to be deregulated, lumber is to be produced as a commodity and commodity owners will have the right to allocate and dispose of their commodities. This decision is completely correct and timely.

The Central Committee has pointed out in the Decision to Reform the Economic System that a socialist economy is a planned commodity economy and must energetically develop commodity production and the exchange of commodities. Forestry is no exception. The abolition of unified lumber procurement and the deregulation of lumber markets is the implementation of the Central Committee's decision to reform the economic system in a concrete way. In carrying out this decision, we must root out the leftist thinking behind forest production

in the past, overcome all old and decayed thoughts and various misgivings. Forestry will be a commodity activity, lumber will be a commodity and both will belong to the socialist commodity economy.

Some worry that deregulation of the lumber market will lead to excessive felling and ecological damage. To be sure, it is absolutely necessary to pay attention to and prevent such problems. On the other hand, we should not wrap ourselves up in a cocoon. In the first place, we must strictly enforce the "Forestry Law" with regard to the felling process, engage in limited felling and certify whatever felling is done. The general trend is the coordination of production and marketing with sales determining output. Felling, afforestation and processing are becoming rational, while utilization is becoming comprehensive. Thus felling will not be increased in an unlimited and arbitrary way. In the second place, the cadres and the masses in the vast forest areas will consciously make an organic link between ecological results and economic results and make each promote the other.

Others say that deregulation of the lumber market may very well affect the economic results of enterprises that use lumber as their raw material. This is possible and the problem must be handled correctly. Some enterprises with plenty of profit and income are that way primarily because of low prices of raw material. This itself is irrational. Such enterprises must be reformed so that their potential may be tapped. They must reduce consumption of raw material, improve product quality and lower production costs, or adopt other reasonable methods. Enterprises must seek solutions to their problems and enliven themselves within the positive context of lumber market deregulation.

The full development of a commodity economy is a stage which cannot be skipped in the development of a socialist economy. Thus, when we grow forests, we must think of it as the production of a commodity and pay attention to the following problems:

1. We must establish the concept of forestry as a commodity economy. We must transform the superior advantage of abundant forest resources into the superior advantage of products and commodities. All through the stages of afforestation, cultivation, felling, and transport, we must be absolutely clear that we are managing a commodity. We can properly carry out the cutting of timber to meet the needs of society and the market if we operate under the premise of not harming the ecological balance, afforesting as we fell, and combining the practice of felling and cultivation.

2. We must change from a single-product economy and comprehensively develop forest industry and commerce. Measures must be suited to local conditions everywhere, whether on state tree farms, felling farms or commune- and brigade-run collective tree farms [tree farms run by specialized brigades]. Operating with economic and social results in mind, we must go on to large-scale economic diversification and closely integrate forest management with felling and forestry with industry and commerce. For example, Masha Commune in Jianyang County comprehensively utilizes and processes what is left over from felling, as well as material cut in the thinning process, material

cleared from mountains before afforestation and substandard wood, rotten pine roots and China fir. It does a lively business in all of them. The profit from its tree farms alone rose from 30,000 yuan in 1977 to 380,000 in 1983.

3. We must reform forestry's economic structure and increase economic results. There are bright prospects in this area. Here are two examples. First is the rise in the value of wood processing. Logs make up a large proportion of Fujian's forest products, with the former's output value equal to nearly one-half the latter's. The wood processing and forest product chemical industries produce too little. The principal reasons for the backwardness of the forest industry and the forest economy are the production of single commodities, an irrational product mix and low economic value. From now on, we should vigorously change the product mix and do more to develop and export paper, sawed wood, artificial planks, wood chips, furniture, rosin and other forest products. Only this will contribute to better economic results. Fujian's Qingzhou Paper Mill annually consumes more than 200,000 cubic meters of logs whose value is less than 20 million yuan. But once it processes them into paper, the output value increases greatly, and in one year the mill can turn over to the state 30 million yuan in taxes and profits. Take the case of fiberboard of medium thickness, valued at 600 yuan per metric ton. It is made of raw materials not in high demand: slabs, twigs, branches and leftovers from felling. Once processed, these raw materials are worth several times more than they used to be. Processing changes waste material into things of value. The degree to which the processing of wood and forest products is important in the improvement of economic results is obvious. The second example is the development of edible forest products. These are new products that are blazing new trails in the campaign to increase the value of forestry. They include such items as Xianggu mushrooms, red mushrooms, black and white *Auricularia auricula-judae*, glossy ganoderma and hedgehog hydnum, which have both rich nutrients and medicinal value. For the past several years, Gutian County has produced white *Auricularia auricula-judae* on a large scale. In 1983, its households specializing in that product numbered 150,000. By the end of 1984, they had produced 800 metric tons at a value of 40,000 [six] yuan and sharply increased the Fujian peasants' income. These households mainly use various little trees whose logs command low prices and are not used much in society. Once they are used for the production of white *Auricularia auricula-judae*, however, "the fine flowers bloom and the money rolls in." Thanks to scientific production in a factory, a cubic meter of some kinds of wood can become 100 jin of Xianggu mushrooms and thus increase many times in value over that of the wood. In 1981 the Japanese used broadleaf trees from China to produce Xianggu mushrooms in 200,000 households that engaged either exclusively or partly in that activity. Japan had the highest output in the world--more than 24,000 metric tons. The mushrooms sold well on the international market and earned the equivalent of more than 800 million yuan. If Fujian produces half as much as Japan, the annual output value could reach 400 million yuan. The upsurge of edible forest products opens up a new avenue for our utilization of wood. We have always looked upon wood as the principal building material. In step with the development of science, technology and modern industry, the use of wood for high-grade building material or relatively modern building material has so greatly decreased that it is nearly

nonexistent. Even doors and windows are not wooden. Hence new questions have arisen: How to use wood, how to exploit the economic benefits of forests and which trees should be raised because of their higher values. Such questions deserve study and solution. The development of edible forest products is one of these questions. We should fully utilize Fujian's climate and abundant forest resources and promote edible forest products.

4. Unclog the channels through which lumber and forestry products circulate. Lumber is a heavy, bulky item. Deregulation of the lumber market has eliminated the old practice of centralized state allocation of lumber and unitary management. When facing the problems of the market and transportation, each and every profession [including planning, materials and transportation departments] should recognize these problems well enough to provide enthusiastic support in the areas of information, the market and transportation. Although some of Fujian's lumber is sold within the province, its principal market is the whole of the country. Hence there must be more channels and fewer links in the transport of lumber to the rest of the country. Whether on water or land, transportation departments have to act as they did when they dealt with unified procurement of lumber: transportation must be unified in order to move the goods smoothly.

No expansion of production can do without enthusiastic workers. The key to expanding the forestry economy lies in arousing the enthusiasm of those who work in forestry. To arouse it, we must perform the following tasks well:

1. The offering of contracts linking remuneration to output in collective mountain forests. Sanming Prefecture does this rather well. In sum, it offers shares in joint management, contracts linking remuneration to output and management by households. It insists on division into shares but not the division of the mountain; on the sharing of profit but not the sharing of the forest. It apportions shares in a collective forest to households, thus linking the interests of the collective and the individual and assigning rights and responsibilities to the tree farmers themselves. The mountain forests belong to both the collective and the individual. This arrangement has greatly aroused the enthusiasm of the tree farmers for their work. With complete satisfaction the masses say: "Contract land enables us to dress warmly and eat our fill; contract mountains enable us to be comfortably off; using the contract system to engage in forestry leads to flourishing forests and wealthy people." They also say: "Every household is making a little green bank." These practices of Sanming Prefecture deserve recommendation.

2. Energetic development of forestry with "two households per collective" and proper afforestation by joint households. In 1984 Fujian had more than 140,000 households participating in its program of "two households per collective" in forestry. They furnished a specialized labor force of 210,000 that contracted for 10.06 million mu of mountain forest and afforested 2.17 million mu. The latter figure represents one-half of Fujian's afforested acreage. No fewer than 30 households each contracted for 1,000 or more mu of mountain forest. Not only did they plant many trees but also trees of high quality. They have already become a major force for the development of forestry in



Fujian. Along with the deregulation of the lumber market and the continued liberalization of forestry policy, more and more mountain forests will be managed by "two households per collective." The households' rights of forest ownership and product disposition should be respected and safeguarded. They should be allowed to fell their own trees within limits set by the state and to handle and sell their products by themselves. This will make more persons go into forest production and directly exert themselves for the construction of Fujian's forestry base and the expansion of its forestry economy.

3. Promotion of rational movement and realignment of all the essential elements in the productive forces. To fully stimulate every essential element in forestry production, we must allow funds, labor and technology to move rationally in the areas of forest production, management and circulation, and we have to promote many forms of integration. Let us not be limited by region, industry or ownership. On the contrary, let us encourage accumulation of shares and issuance of dividends; contracts for technology and profit sharing; labor partnerships and cooperation of many forms; and the contracting of lands exchanged. We must also encourage overseas Chinese and foreigners to use their capital to work with us in building a forestry base and must allow them to have wholly owned tree farms and mills. For example, we can assign them some barren hills in which they can run tree farms and, moreover, give them preferential treatment.

In sum, we should advocate whatever methods favor both the creation of wealth through promotion of forestry and the enrichment of mountains and people.

CSO: 4006/655

24 June 1985

## PROVINCIAL AFFAIRS

## BRIEFS

JILIN ECONOMIC-TECHNICAL TRADE FAIR--From 1 to 3 May, Jilin Province and Changchun city held their first economic and technical trade fair at the People's Plaza in Changchun city. Over the past 3 days, more than 50,000 technicians, workers and peasants from the province or from outside places visited the trade fair or came to hold a trade talk. There were more than 350 units participating in the trade fair which displayed more than 1,100 economic and technical results and more than 520 items of other categories. Contracts on 210 items of these results have been signed, worth more than 5 million yuan. [Changchun Jilin Provincial Service in Mandarin 1030 GMT 3 May 85 SK]

BEIJING ADDS SERVICE UNITS--Beijing, 1 Jun (XINHUA)--Beijing added 10,362 service trade units between January and April, almost hitting this year's annual target, a municipal commercial service official disclosed here today. Over half are owned by individuals, and some are managed jointly with firms and individuals in Tianjin, Hebei, Jiangsu and elsewhere. All are conveniently located on residential streets. Beijing's southwestern Fengtai District opened 1,400 such shops in the 4 months, far exceeding its target of 900 for the year. A 2,416-square-meter shopping mall in the new south Beijing residential district of Puhuangyu was built in just 4 days. With a population of 9.45 million, however, the capital still has an inadequate service network. Another 15,000 units will open later in the year, mainly in catering, repairs and tailoring. The city is also studying longer shop hours and more evening markets, the official said. [Text] [Beijing XINHUA in English 0716 GMT 1 Jun 85]

CSO: 4020/239

## ECONOMIC DEVELOPMENT ZONES

### HAINAN HOLDS FORUM ON UTILIZING FOREIGN CAPITAL

HK290301 Haikou Hainan Island Service in Mandarin 0400 GMT 28 May 85

[Excerpts] The Hainan Committee for Foreign Economic Relations recently held a work forum on utilizing foreign capital. The forum urged all departments to grasp well and act in the spirit of central Document No 11. By promoting the district's development through the open-door policy, the departments should utilize foreign capital in an active and reliable way in addition to importing advanced technology.

The participants unanimously held that since the beginning of this year, the district has resolutely adhered to the principle of promoting its development through the open-door policy. It has made greater achievements in importing foreign capital. The foreign businessmen investing in this district have come from 15 countries and regions on five continents. Last year the district's Committee for Foreign Economic Relations received a total of 1,098 foreign businessmen. This has basically put an end to the district's isolation. The island has also sharply increased the amount of imported foreign capital. Last year it signed 122 contracts and agreements, an increase of 3.5 times over that of 1983. The total amount of investment was over \$182 million, of which \$119 million came from foreign businessmen, an increase of eight times compared with the previous year. In the first quarter of this year the district signed 26 agreements worth a total investment of over \$60 million, an increase of 85 percent compared with the same period last year.

The participants held that we should further do a good job in the work of utilizing foreign capital. We must concentrate our efforts on active work and reliability. Based on the district's natural resources, we must work out plans for importing foreign capital, conduct serious and meticulous studies on feasibility on optimizing economic results, and organize crack negotiation teams to take charge of the work. We must greatly develop exploitative and extractive projects, import advanced technology and equipment, and produce goods that can be introduced on the international market. We must strictly check nonproductive projects and stop the production of those that are not marketable or whose producers cannot maintain balanced foreign exchange receipts and disbursements.

CSO: 4006/660

24 June 1985

## ECONOMIC DEVELOPMENT ZONES

## BRIEFS

ANHUI'S HUANG AT MEETING--The Shanghai Economic Zone's fourth theoretical discussion meeting opened in Hefei city, Anhui, this afternoon. This is the first theoretical discussion meeting since the Shanghai Economic Zone expanded to four provinces and one municipality. The more than 150 experts, scholars and responsible comrades engaged in economic work and theoretical research who are attending the meeting will study strategic ideas for developing the Shanghai Economic Zone and examine the question of building an open, network-type regional economic structure. Huang Huang, secretary of the Anhui Provincial CPC Committee; Wang Yuzhao, Anhui provincial governor; and (Wang Ling), director of the Shanghai Economic Zone's Planning Office under the State Council, were present at today's meeting. [Text] [Shanghai City Service in Mandarin 1100 GMT 13 May 85]

CSO: 4006/628

AGGREGATE ECONOMIC DATA

SHANXI PREFULFILLS GROSS INDUSTRIAL OUTPUT VALUE

Taiyuan SHANXI RIBAO in Chinese 2 Jan 85 p 1

[Article by Pan Jianmin [3382 1696 3046] and Wang Jinying [3769 2516 5391]:  
"Shanxi Province Has Attained Sixth 5-year Plan Target in Industrial  
Production 1 Year Ahead of Schedule--Total Industrial Output Value Task  
for the Whole Year Was Overfulfilled by 20 December Last Year"]

[Text] According to the preliminary statistics of the provincial statistics bureau, by 20 December last year, the industrial output value fulfilled throughout the province came to 16.5 billion yuan overfulfilling the annual plan by 3.1 percent, which means an increase of 12 percent over the same period of the preceding year, or fulfilling the industrial output value target under the Sixth 5-year Plan 1 year ahead of schedule. By the end of last year, the total industrial output value of the whole province had exceeded 17 billion yuan.

The excellent industrial situation in our province last year was characterized by overall, balanced, coordinated and extensive growth. By the end of November last year, with the exception of Changzhi and Taiyuan, the growth rate of the total industrial output value in 11 prefectures and cities across the province registered over 10 percent, especially in Yanbei prefecture, the growth came to 28.6 percent; the growth margin was quite large in most industrial departments and bureaus, the growth of light and heavy industries registered 11.4 percent and 13.5 percent respectively, while the growth of industries under ownership by the whole people and the collectives registered 10.3 percent and 23.4 percent respectively, particularly the growth of enterprises below the county level which had reached 31.4 percent. Raw coal output in the whole province was overfulfilled more than 1 month ahead of schedule exceeding the annual plan by 7.4 percent or an increase of 14.6 percent over the same period of the preceding year. By 20 December last year, raw coal output had reached 171 million dun. The output of pig iron, steel, rolled steel and chemical fertilizer for agricultural use had also overfulfilled the annual plans showing increases by a wide margin as compared with the preceding year. Between January and November last year, the income from sales of products turned out by industrial enterprises included in the budget across the province, the profits realized and profit tax delivered by them registered an increase of 8.3 percent, 6.5 percent and 1.3 percent respectively as compared with the same period of the preceding year.

These gratifying changes in industrial production throughout the province was primarily due to the speeding up of the reform of the urban economic structure by delegating power to the enterprises at the lower level in general with regard to production and operations, sales of products, floating prices, organizational setup, the appointment and dismissal of cadres and the issuance of wages and bonuses and so forth and by further expanding the decision-making power of enterprises and giving them more vitality. Various enterprises had actively perfected the economic responsibility system in different forms and had shifted from production-type to production-management type of enterprises in management, paid attention to using qualified personnel in a rational way, respected knowledge and strengthened technical cooperation. These reforms had drastically rectified the abuse of "eating from the same big pot" of the state by enterprises and the malpractice of "eating from the same big pot" of enterprises by workers and staff members thereby effectively mobilizing the initiative and creativity of enterprises and their workers and staff members and spurring overall development of industrial production.

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AGGREGATE ECONOMIC DATA

GUANGDONG OVERFULFILLMENT OF SIXTH 5-YEAR PLAN

Haikou HAINAN RIBAO in Chinese 13 Jan 85 p 1

[Article by Shi Meisi [0670 5019 3128]: "Guangdong Overfulfills Sixth 5-Year Plan Ahead of Schedule in Gross Industrial and Agricultural Output Value"]

[Text] Guangzhou, 18 January--An excellent situation unseen heretofore appeared in the 1984 national economy in Guangdong province. According to preliminary statistics, the total industrial and agricultural output value came to 52.9 billion yuan, an increase of 16.2 percent over 1983, overfulfilling the Sixth 5-Year Plan targets 1 year ahead of schedule.

Last year, in spite of reducing the grain sown acreage by 2.48 million mu in agricultural production, Guangdong province's total annual grain output still registered an increase of over 100 million jin over 1983, the year of a bumper harvest. Sugarcane, jute, indian hemp and silk cocoons increased about 20 percent over the preceding year. The agricultural output value as a whole increased 9.8 percent.

In industry, the province's total industrial output value in 1984 amounted to 36.5 billion yuan, an increase of 19.3 percent over the preceding year.

Last year, with the implementation of the public bidding contract system in key construction throughout the province and SEZ construction, construction progress had been speeded up, the time limit for projects shortened and quality improved. Investments for construction in the Shenzhen, Zhuhai and Shantou SEZ's increased by more than 60 percent over the preceding year, of the 24 key provincial projects in developing Hainan Island, 20 had started one after another.

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## AGGREGATE ECONOMIC DATA

### HEBEI FULFILLS INDUSTRIAL, TRANSPORT PLANS

Shijiazhuang HEBEI RIBAO in Chinese 13 Jan 85 p 1

[Article: "Total Industrial Output Value Last Year Increased by 14.84 Percent Over Preceding Year"]

[Text] Hebei's industrial and transport front has scored gratifying results in 1984 after setting right the guiding principles in operations and upholding the policy of opening to the outside world and enlivening the domestic economy.

Economic results had improved. The industrial output value achieved across the province registered an increase of 14.84 percent over 1983. Last year was a year of fastest development since the 3d Plenary Session of the 11th CPC Central Committee. Among them, the state-run industrial enterprises listed in the budget registered an increase of 11.6 percent in output value and realized an increase of 16.8 percent in profit tax.

Light and heavy industries developed in a coordinated way. The light industrial output value across the province recorded an increase of 14.23 percent while the heavy industrial output value showed an increase of 15.4 percent. The light and heavy industries had maintained a 47 to 53 ratio in coordinated development.

New progress had been made in enterprise technology. The province had completed and put into operation 1,004 renovation projects with total investments increase of 94.1 percent as compared with 1983. Across the province, 17 products won national gold and silver prizes, an increase by seven as compared with the preceding year, over 1,800 new products had been developed.

A number of loss-free departments and counties had appeared. The number of enterprises across the province operating at a loss had dropped by 308 and the losses reduced by 47 percent. Loss-free enterprises appeared in metallurgical, chemical, light industrial, building material, textile and pharmaceutical departments and 60 counties.

The situation of exclusive operating transportation enterprises had been corrected. With the state, the collective and individuals pitching in, a new situation of developing communications and transport in multi-form, multi-layer and multi-channel way had cropped up. Railroad and local transport had over-fulfilled the annual transport plan, with individual households now in possession of 23,000 trucks and passenger cars, they had linked up the urban and rural economy and provided convenience for the people.



## AGGREGATE ECONOMIC DATA

### YINCHUAN AGRICULTURAL OUTPUT

Yinchuan NINGXIA RIBAO in Chinese 20 Jan 85 p 1

[Article: "Yinchuan City's Suburban Districts Have Achieved the Highest Level in 10 Economic Targets"]

[Text] As a result of conscientiously implementing the guidelines of the CPC Central Committee's Document No 1 last year, the suburban districts of Yinchuan city have witnessed rapid development in industrial and agricultural production and notable improvement in economic results with its 10 economic targets setting the highest level on record.

1. The gross industrial and agricultural output came to 100,918,000 yuan, an increase of 35.6 percent over the previous year; the per capita net income amounted to 469 yuan, an increase of 40 percent over the previous year.

2. The output value of township enterprises totalled over 38 million yuan, an increase of 30.7 percent over the previous year; profits realized came to 3,727,000 yuan, an increase of 16.1 percent over the previous year.

3. The total grain output amounted to over 134,000,000 jin, an increase of 8 percent over the previous year.

4. More than 7,000 mu were afforested, an increase by 1.2 fold over the previous year; over 3,700,000 trees were planted, an increase of 2.6 fold over the previous year; over 2,500 mu of seedlings were cultivated or an increase of 74.4 percent over the previous year; the newly added orchard acreage came to more than 990 mu accounting for 50.4 percent of the sum total in 35 years since liberation.

5. More than 900 milk cows were raised or an increase of 79.1 percent over the previous year; fresh milk output totalled over 2,100,000 jin, an increase of 18.9 percent over the previous year.

6. Live pigs from barnyard totalled over 13,600 head or an increase of 8 percent over the previous year; pork output amounted to more than 2,000,000 jin or an increase of 18.9 percent over the previous year.

7. A total of 610,000 chickens and ducks were raised, an increase of 1.3 fold over the previous year; poultry egg output came to 600,000 jin, an increase of 2.6 fold over the previous year.

8. Fish breeding area came to over 9,600 mu, an increase of 2 fold over the previous year; fresh fish output amounted to 380,000 jin, an increase of 2.2 fold over the previous year.

9. The number of specialized households had grown to over 8,200 (of which more than 600 households reached the state standard), an increase of over 2,800 households or upped by 51.2 percent over the previous year.

10. The percentage of marketable agricultural, forestry, animal husbandry, sideline and fishery products reached 64 percent, an increase of 24.5 percent over the previous year; diversified undertakings accounted for 55 percent of the gross agricultural income, an increase of 6.8 percent over the previous year.

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AGGREGATE ECONOMIC DATA

JIANGSU PREFULFILLS SIXTH 5-YEAR PLAN TARGETS

Nanjing XINHUA RIBAO in Chinese 22 Jan 85 p 1

[Article by Jiangsu Provincial Statistics Bureau: "Our Province Has Prefulfilled Major Targets of Sixth 5-year Plan Showing Marked Increase in National Income, Total Industrial and Agriculture Output Value, Fixed Assets Investment and Financial Revenue"]

[Text] According to statistics, by the end of last year, the major planned targets under the Sixth 5-year Plan with regard to the national income, total industrial and agriculture output value, fixed assets investment, financial revenue and average income of workers and staff members and peasants throughout the province had all been fulfilled ahead of schedule.

The 1983 national income came to 37.936 billion yuan and the 1984 budget amounted to 42.5 billion yuan. The average annual increase between 1981 and 1984 was 11.7 percent fulfilling ahead of schedule by 2 years the 1985 plan of 36.9 billion yuan and the plan of an average annual increase of 6.8 percent in 5 years.

The total industrial and agricultural output value in 1984 amounted to 97.3 billion yuan averaging an annual increase of 11.8 percent and doubling the amount in 6 years and ranking first nationally 4 years in a row.

Between 1981 and 1984, units under the ownership by the whole people had invested a grand total of 15.352 billion yuan in fixed assets exceeding the planned grand total of 13.279 billion yuan for 5 years by 15.6 percent.

The total value of retail sales in 1984 came to 23.28 billion yuan, an increase of 55.6 percent over 1980, or averaging an annual increase of 11.8 percent. The amount of grain, cotton, oil-bearing crops and tobacco procured had exceeded the 1985 level prescribed in the plan.

The actual financial revenue in 1984 amounted to 7.488 billion yuan, an increase of 26 percent over 1980, or an average annual increase of 6 percent, overfulfilling the planned target of 7.6 billion yuan for 1985 by 3.6 percent.

The estimated average income of peasants in 1984 was about 400 yuan, an increase of 83 percent over 1980, or an average annual increase of 16.4 percent, overfulfilling the planned figure of 350 yuan for 1985 by 16.3 percent and fulfilling the plan 2 years ahead of schedule. As a result of expansion of labor employment, increase in wages for workers and staff members and the issuance of more bonuses and wages, the income of workers and staff members had also increased continually. The total amount of wages for workers and staff members in 1984 was estimated to be 5.993 billion yuan, an increase of 44 percent over 1980, or an average annual increase of 9.5 percent. The average wages for workers and staff members in 1984 was estimated to be about 830 yuan, an increase of 25.4 percent over 1980, or an average annual increase of 5.8 percent, both the total amount of wages and the average wages reached the planned level 1 year ahead of schedule.

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AGGREGATE ECONOMIC DATA

HEILONGJIANG PREFULFILLS SIXTH 5-YEAR PLAN TARGETS

Harbin HEILONGJIANG RIBAO in Chinese 23 Jan 85 p 1

[Text] According to initial statistics by provincial departments concerned, some of the major economic targets and products in Heilongjiang province have fulfilled the Sixth 5-Year Plan 1 year ahead of schedule.

The total grain output in agriculture, afforestation acreage and the output of aquatic products in 1984 reached 35 billion jin, 6.26 million jin and 51,000 dun respectively thereby overfulfilling the targets of 31 billion jin, 4 million mu and 51,000 dun respectively under the Sixth 5-Year Plan.

The total industrial output value came to 31.467 billion yuan, overfulfilling the 31.4 billion yuan target of the Sixth 5-Year Plan 1 year ahead of schedule.

Of the 52 major products listed in the Sixth 5-Year Plan, 30 products including raw coal, crude oil, steel, pig iron, coking coal, sulphuric acid, synthetic ammonia, chemical fertilizer, tires, power generating equipment, machine tools, automobiles, television sets and chemical fiber had reached or surpassed the Sixth 5-Year Plan targets from 1 to 2 years ahead of schedule, or 57.7 percent of the plan. Among them, raw coal overfulfilled the Sixth 5-Year Plan target of 45.2 million dun by 15.3 percent; crude oil output overfulfilled the Sixth 5-Year Plan target of 50.5 million dun by 5.7 percent; steel output overfulfilled the Sixth 5-Year Plan target of 540,000 dun by 13 percent; and chemical fiber output overfulfilled the Sixth 5-Year Plan target of 28,200 dun by 26.6 percent.

The enrollment of regular institutes of higher learning came to 18,122 persons, the number of hospital bed totalled 110,000 respectively overfulfilling the 1985 targets under the Sixth 5-Year Plan.

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AGGREGATE ECONOMIC DATA

SICHUAN FULFILLS MAJOR TARGETS OF SIXTH 5-YEAR PLAN

Chengdu SICHUAN RIBAO in Chinese 3 Feb 85 p 1

[Article by the Comprehensive Balance Department of the Sichuan Provincial Statistics Bureau: "Sichuan Province Fulfilled Major Targets of Sixth 5-year Plan Last Year Ahead of Schedule; Gross Industrial and Agricultural Output Value in the Whole Province Last Year Increased by 12.5 Percent, Higher Than the Average National Level"]

[Text] Our province has made new achievements in economic construction last year by further implementing the reform and open-door policy to improve the national economy and by accelerating the tempo of urban economic structure reform while at the same time developing the rural economy.

Industrial and agricultural production continued to increase at a faster rate. According to preliminary statistics, the total industrial and agricultural output value across the province last year could reach 66.76 billion yuan (computed on the basis of the constant price in 1980, the same principle is applied hereinafter), or an increase of 12.5 percent over the preceding year, which was higher than the average growth nationally.

Last year, inspired by CPC Central Committee Document No 1, the cadres and masses in the countryside defeated the natural disasters and achieved their eighth bumper harvest year. According to initial statistics, the province's total agricultural output value could reach 27.66 billion yuan, an increase of 9.1 percent over the preceding year; total grain output could reach 81.58 billion jin, an increase of 1.41 billion jin over the preceding year. Of 18 prefectures, 12 reported increased production; an overall increase in cotton, oil-bearing crops, sugar cane, jute and ambary hemp, tobacco and other industrial crops was reported; live hogs slaughtered could reach more than 38 million head, an increase of 7.8 percent over the preceding year, and hogs in stock could reach over 56.6 million head, an increase of more than 5.6 percent over the preceding year.

Last year was the year in which the industrial production of our province grew the fastest in recent years and a year that produced the largest number of fine-quality products and achieved better economic results.

According to initial statistics, total industrial output value in the whole year could total 39.1 billion yuan, an increase of 15 percent over the preceding year. Of this output value, light industrial output value increased by 14 percent, and heavy industrial output value increased by 16 percent, with both light and heavy industries developing harmoniously with each passing day. Of 90 major industrial products, the output of 69 fulfilled or overfulfilled the annual plans. Marketable medium- and high-grade products and high-grade durable consumer goods such as wool fabrics, woolen yarn, television sets and washing machines and major energy items such as raw coal, natural gas and power-generation and raw materials such as rolled steel, timber and cement also increased in varying degrees. The quality stability rate of major products from heavy industrial enterprises rose to 88 percent, 38 products received national gold and silver trophies and 368 other products were awarded fine-quality certificates from the province; the number receiving awards increased by 118 as compared with the preceding year.

Investment in energy industry; transportation, posts and telecommunications; and education, health and scientific research in our province last year also registered an increase of 12.4 percent, 10.9 percent and 15.7 percent, respectively, over the preceding year. This exceeds the average growth of investment in capital construction across the province and the key construction projects arranged by the state and the province have generally been speeded up. In the meantime, the technical transformation of existing enterprises has also been greatly enhanced and the investment in renewal and renovation by units under the ownership by the whole people increased by 32.7 percent. All this will play an important role in improving product quality and reducing energy and raw material consumption.

Due to the correctness of the policies, an increase in both production and income for the 5 years has been reported. The major targets of our province's Sixth 5-year Plan have been fulfilled ahead of schedule. The total industrial and agricultural output value; the output of grain, cotton, pork, beef, mutton and aquatic products, afforestation acreage; the output of steel, pig iron, raw coal, natural gas and power; and financial revenues and the value of retail sales all reached the 1985 targets prescribed in the Sixth 5-year Plan ahead of schedule.

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24 June 1985

## AGGREGATE ECONOMIC DATA

## ZHEJIANG ECONOMIC ADVANCEMENT IN 1984

Hangzhou ZHEJIANG RIBAO in Chinese 5 Feb 85 p 2

[Article by Cheng Jingye [4453 4737 2814]: "Zhejiang's Economy Advances in the Course of Reform"]

[Text] Summary of contents: An unprecedentedly fine situation emerged in 1984 in the national economy of our province. The five major factors promoting the economic development were: (1) rural reform was deepening and the rural economy was shifting toward merchandising, socialization and modernization. (2) The policy of developing enterprises under ownership by the whole people, collective ownership and village-township enterprises was adopted, thus setting the three "wheels" in motion at the same time. (3) Technical transformation, renovation and expansion in construction were stepped up, thereby speeding up technical progress. (4) Horizontal relations were developed to promote economic and technical cooperation energetically. (5) Cadres who have been "revolutionized, better educated, professionally more competent and younger" were promoted and capable persons were used. To develop this excellent situation this year, it is necessary to undertake the utmost efforts.

Zhejiang's economy has been advancing along a sustained, stable and healthy path of development in the course of reform since the 3d Plenary Session of the 11th CPC Central Committee. In the 5 years from 1979 to 1983, the total industrial and agricultural output value of the province progressively increased by 13.8 percent each year on the average, and the national income progressively increased by 12.7 percent each year on the average, or about 100 percent higher than the level of the average annual increase over the preceding 26 years. In 1984, thanks to the joint efforts made by the people throughout the province in implementing the policy put forth by the provincial CPC committee and the provincial government of promoting the opening to the outside world through reform, technical



transformation and economic development, an excellent situation hitherto unknown emerged in the entire national economy. The total industrial and agricultural output value throughout the province totaled 49.77 billion yuan, an increase of 21.5 percent over the preceding year or a net increase of more than 8.8 billion yuan, greatly exceeding the level of the general annual increase of 3 or 4 billion yuan since 1979. Of this, agricultural output value came to 16.54 billion yuan, an increase of 16.9 percent over the preceding year; light industrial output value amounted to 22.8 billion yuan, an increase of 25.2 percent over the preceding year; and heavy industrial output value totaled 19.47 billion yuan, an increase of 21.7 percent over the preceding year. Economic results improved continually, the number of enterprises operating at a loss dropped from 129 the year before to 85 and the amount of losses incurred was reduced by 48.3 percent; full-labor productivity of industrial enterprises under ownership by the whole people was upped by 12 percent over the preceding year; and 20 products across the province won national quality prizes, representing a year in which more prizes were won than at any time since the establishment of the prize-awarding system.

In recent years, particularly in 1984, the results of economic development in Zhejiang amply proved that reform is a powerful motive force propelling the development of the forces of production. Reform has given vitality to the economy, mobilized the initiative of the broad masses of cadres and the people and advanced economic development. The development in these few years merit our summing up the experience seriously so as to discover things with a regular pattern. Scientific analysis should be made with regard to which factors are playing a temporary role, which factors are playing a long-term role and also which factors have not been given full play. We have learned from experience that the following are major factors:

**The Deepening of Rural Reform and the Shift In the Direction of the Rural Economy Toward Merchandising, Socialization and Modernization Have Created Excellent Conditions for Economic Development as a Whole.**

The basic direction of rural reform is to make the rural economy shift direction from a self-sufficient and semi-self-sufficient state toward merchandising, socialization and modernization. Centering around this shift, while consolidating and perfecting the output-related system of contracted responsibility, our province has expeditiously shifted the focus of reform to readjusting the agricultural structure and included the support for specialized households in developing agricultural production and other service trades as important components of reform, thereby bringing about more profound and extensive changes with each passing day. In 1984, a labor force of over 1.1 million persons across the province left the farm to take up jobs in industry, transportation, construction, business and other service trades. The export of labor services was becoming more frequent, with more than 1.3 million people across the province leaving to render labor service elsewhere. At

present, 8.6 million persons across the province, or 50.9 percent of the total labor force in the countryside, are engaged in non-farm activities. The shift of the rural labor force has brought about an important change in the rural economic structure. Between 1979 and 1984, the agricultural output value as a whole registered an average annual increase of 9.4 percent and the forestry, animal husbandry, sideline and fishery output value showed an average annual increase of 17.3 percent. The rate of development of industries in hamlet and in places below the hamlet level in particular was even faster with an average annual increase of over 30 percent. Structural changes also took place within the crop-growing industry, and some industrial crops needed for people's consumption and light industrial production developed very rapidly. While the percentage of marketable agricultural and sideline products across the province in 1979 was 40 percent, by 1984 it went up to over 60 percent. With the development of specialized households and integrated entities in the countryside and the rapid progress in commodity production and circulation in the rural areas in a specialized way and from production bases, many specialized markets of different sizes and types emerged in various parts of the province. By the end of 1984, there were 489 specialized markets of different types in the whole province. Relying on cottage industries, these specialized markets combined commodity production with commodity circulation and formed a coordinated production and circulation system involving processing, purchasing and marketing, transportation and services centered around one or several commodities. This setup of great vitality and competitiveness has become a conspicuous force in promoting the rural commodity economy in our province. According to statistics compiled from eight major specialized markets in Wenzhou, the trade volume in 1983 came to 724 million yuan, taxes delivered to the state totaled 31.39 million yuan, accumulation for the collective amounted to 7.91 million yuan and average peasant income came to 480 yuan. The vigorous development of the rural commodity economy brought about a prosperous rural economy and stabilized agriculture and the countryside. As a result, many typical cases of prosperity over large areas cropped up across the province, and this also created excellent conditions for industrial production. Between 1979 and 1983, the industrial output value in the whole province showed a net increase of 14.52 billion yuan, of which light industry using agricultural and sideline products as raw materials registered an increase of more than 5.8 billion yuan or about 41 percent of the total amount of the increase.

The Main Road to Economic Development in Our Province Is To Support Village-township Enterprises and Collective Enterprises and Move Industries Under Ownership by the Whole People and Collective Ownership and Village-township Industries Together.

In keeping with the situation in our province where small enterprises are the leading factors and the collective and village-township enterprises constitute a majority, we have in recent years adopted a policy of developing enterprises under ownership by the whole people and collective

ownership and village-township enterprises at the same time. The industrial output value of the whole province in 1984 increased by 6.4 billion yuan with the enterprises owned by the whole people, and collective enterprises and village-township enterprises each constituted a third. The total industrial output value of the collective and village-township enterprises in our province accounted for a large proportion having a decisive influence on economic development as a whole. However, for a long time, the collective and village-township enterprises have been listed in the "other register," and the "leftist" practice of stressing ownership by the whole people and neglecting collective ownership has seriously held back and shackled their development. By eliminating the "leftist" influence systematically, the necessity of developing multiple economic forms has gradually become clear and the consciousness of developing village-township enterprises elevated, thereby greatly promoting the development of the collectively owned and village-township industries. This is particularly true with regard to the village-township enterprises. The output value in 1978 amounted to only 1.148 billion yuan, but by 1983, it went up to 4.335 billion yuan, an increase of nearly three-fold in 5 years. In 1984, the village-township industries in 10 prefectures and cities throughout the province showed a general increase by a wide margin, bringing about a fine situation that "northeastern Zhejiang is now in the ascendant and southwestern Zhejiang is surging ahead vigorously." The output value came to 6.312 billion yuan or an increase of 45.3 percent over the preceding year. Facts have shown that the village-township enterprises did not elbow out the bigger enterprises with small ones but rather made up for the big ones with small ones. The imbalance between the structure of the multilayer forces of production and the development of the forces of production decided the inevitability of the existence of the multiple economic forms. The village-township enterprises, identified with "socialism" instead of "capitalism," have a good development future. Proceeding from realities, the province will reinvigorate the collectively owned enterprises and state-run small enterprises as a breakthrough point of industrial reform as a whole. In March of last year, starting with an affirmation of the Bu Xincheng [2975 9515 3932] spirit of reform and blazing new trails, the provincial CPC committee and the provincial government handed down documents one after another about enlivening the collective industries in the cities and towns and expanding the decision-making power of the state-run industrial enterprises by releasing and delegating the power to handle personnel, materials, finances and operations to the enterprises. In the meantime, various localities have also drawn up specific methods by proceeding from realities. By delegating power at all levels and implementing it, the enterprises have been revitalized as a start. The more than 6,200 collective enterprises across the province achieved notable results after the decision-making power was expanded. The output value of collective industry under the provincial second light industry department increased by only 2 percent in 1982, increased by 13.5 percent in 1983 and rose by 24.2 percent last year, and the increase in taxes for profit delivery was even higher than the output value. After the state-run small enterprises were let loose,

they showed signs of new improvement. The output value between January and September of last year of 58 state-run small enterprises in Huzhou City increased by 18.9 percent over the same period the year before last, profits rose by 36 percent and the amount of tax delivered to the state totaled 1.81 million yuan, greatly surpassing the amount of taxes exempted and adjusted for the entire year. The large and medium-size enterprises were revitalized somewhat after they were given expanded power. This was particularly true in 72 state-run enterprises, which put the factory manager responsibility system on a trial basis and set up a unified and more powerful production command and operational control systems which changed the outlook of the enterprises. Various localities had also adopted such methods as "shelling products," "spreading out processing" and "holding one whip" to bring about closer links between the enterprises owned by the whole people, collective enterprises and village-township enterprises to promote one another, make improvements together and follow a new road of merging the urban and rural areas into one. As a result, a fine situation of the simultaneous development of the enterprises owned by the whole people, the collective enterprises and the village-township enterprises and the faster development of the collective and village-township enterprises have emerged.

**Strengthening Technical Transformation, Renovating and Expanding Construction and Speeding up Technical Progress Are Important Ways To Develop the Economy with Less Investment, Greater Production and Better Economic Results.**

Our province has a weak economic foundation, the factory buildings are dilapidated and the equipment is outmoded and technically very backward. In the face of the challenge of the world's new technological revolution and the fierce challenge of market competition, it is necessary to speed up technical transformation and technical progress. We have in recent years gradually strengthened the work in this area and looked upon technical transformation and technical progress as an important guiding principle for revitalizing Zhejiang's economy. The principal methods used are: (1) readjusting the major construction projects on the basis of existing enterprises. The economic administrative departments have in pursuing the guiding principle gradually done away with the traditional idea of placing the emphasis on capital construction and the construction of new projects and neglecting technical transformation and renovation and expansion in construction and have shifted the focus of construction onto technical transformation, renovation and the expansion in construction in enterprises. In 1979, the proportion of investment for technical transformation, renovation and expansion accounted for approximately 50 percent of the investment in fixed assets and this figure rose to 70 percent in 1983. (2) exploiting advantages, avoiding drawbacks and improving investment direction. Proceeding from prevailing conditions in our province, we have given priority to producing daily consumer goods, energy conservation products and critically short raw materials. For example, in technical transformation on energy conservation, between 1979 and 1983, 326 million yuan in funds and 365 projects were arranged, and the whole province could save 550,000 dun of standard coal and 400 million kwh of electricity; in



addition, expansion projects for the Taizhou power plant, the Zhenhai power plant and the Banshan power plant were carried out, thus playing an excellent role. According to statistics of the provincial people's bank, between August 1979 and the end of 1983, short-term loans for technical transformation extended throughout the province totaled 897 million yuan, the newly added output value came to 3.38 billion yuan and the newly added tax for profit delivery amounted to 691 million yuan. For every yuan invested on the average, it could add 376 million yuan in output value [as published] and 0.77 yuan in taxes for profit delivery. The loan recovery rate for the same period amounted to 52.5 percent. (3) strengthening technical development and promoting technical progress. A comparison between 1984 and 1977 shows that the amount of money used for technical development throughout the province increased by 110 percent, scientific research sponsored by factories were developed rapidly and new progress was made in importing technology. All this work speeded up the updating and improvement of products. Last year the whole province trial-produced 21,463 "four new" products, of which 1,538 were new products, and the output value of the "four new" products increased from 6 percent in the preceding year to approximately 8 percent.

Following the Open Road of Development, Developing Horizontal Relations and Actively Advancing Economic and Technical Cooperation Are Important Factors in Promoting Economic Development in Our Province.

Developing horizontal relations and actively advancing economic and technical cooperation are important features of implementing the policy of enlivening the domestic economy and opening to the world. The technical coordination with emphasis on "software" and economic integration that developed in the last 2 years have indicated that economic and technical coordination in our province has developed to a new level. Up to now, our province has established an economic and technical coordination relationship with 28 provinces, cities and autonomous regions one after another. This coordination has not only ensured the needs in our province's economic growth in recent years but has also given added "momentum" to providing reserve resources for revitalizing the economy in future. Technical coordination has been developing rapidly, according to incomplete statistics compiled in Ningbo, Wenzhou, Shaoxing and Huzhou alone, and 456 enterprises have linked up with 498 institutes of higher education and scientific research units throughout the country. Economic integrated entities have also developed vigorously; in Jiaxing City alone, 500 enterprises have organized 148 integrated bodies of various categories, and the output value of industries run by the integrated entities throughout the city came to 1.2 billion yuan, accounting for 38 percent of the total industrial output value in the whole city. That these integrated entities can run well is attributed to the upholding of the principle of mutual need, mutual reliance, equality, mutual benefits and development in concerted efforts. In organizing these integrated entities, economic means instead of administrative decrees were used, and responsible departments only played the role of a "bride," not that of a "mother-in-law," with the enterprises deciding for themselves the form of integration.

Opening all doors wide, assembling resources from all places, gathering funds from all directions and hiring capable persons from all fields to promote economic integration have become new ways of developing our province's economy, and Zhejiang's economy is advancing in the direction of opening to the world.

Promoting Cadres Who Are "Revolutionized, Better Educated, Professionally More Competent and Younger" and Boldly Using Capable Persons Are the Basic Factors of Ensuring Sustained Economic Growth.

Qualified persons are a most important resource in modern economic life and competition involving products and technology is in the final analysis a competition of qualified persons. It needs knowledge, qualified personnel and a mighty contingent of economic administrative cadres to push modernization. Under the unified planning of the provincial CPC committee and the provincial government, the leading bodies at all levels have made fairly good improvements in the course of readjustment in becoming revolutionized, younger, better educated and more specialized professionally. According to statistics, of the 391 persons who are directors and deputy directors of planning commissions and economic commissions in various cities, prefectures and counties, 22 percent are under 40 years of age, 75 percent have a middle school education or above and 50 percent have a university and college education. A great majority of those promoted come from the capable persons in factories, mines and enterprises. By the end of last year, it was expected that leading bodies in budgeted state-run industrial enterprises and large collective industrial enterprises above the county level throughout the province had been basically readjusted once in line with the "four criteria"; 92 percent of the leading bodies in key enterprises outside the industrial system had also been readjusted. A large number of young and middle-aged intellectuals and engineers and technicians and those capable of running factories have taken up leading positions and have shown their abilities. Various prefectures have also adopted various means to discover and promote qualified persons. For instance, Shaoxing County, by extending its field of vision in search of qualified persons and conducting an investigation on qualified persons in the county, has selected more than 15,000 capable persons, and among them, capable persons from the county level numbered 166. As soon as they were employed, these capable persons brought life to production. According to an investigation conducted in Qianqing and Jianhu Districts, the output value of those enterprises where the district-level and village-level capable persons were employed had doubled over the preceding year.

Zhejiang's economy is advancing in the midst of reform, and this is only the beginning. Our work has to be improved in many areas and our economic and technical foundation is rather weak. We still have to do our utmost in order to develop the fine situation. This year marks the beginning of economic structural reform, with the emphasis on the cities, and also a



year linking the Sixth 5-year Plan with the Seventh 5-year Plan. We must earnestly sum up experience with a prudent spirit to fight the initial battle, further emancipate our minds, carry out our work in a practical and effective manner in accordance with the blueprint of reform formulated in line with the "Decision of the CPC Central Committee on Reform of the Economic Structure," speed up the economic structural reform and strive to realize the general target and general task defined by the 12th CPC National Congress ahead of schedule.

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AGGREGATE ECONOMIC DATA

ZHEJIANG INDUSTRIAL OUTPUT VALUE FOR JANUARY REPORTED

Hangzhou ZHEJIANG RIBAO in Chinese 7 Feb 85 p 1

[Article by Zhang Haibo [4545 3189 3134]: "Our Province's Gross Industrial Output Value for January Has Broken Through 3-billion-yuan Mark, Showing an Increase of 43 Percent Over the Same Period of Last Year"]

[Text] The first report of success from Zhejiang's industrial front at the beginning of the new year: Total industrial output value in January came to 3.077 billion yuan, which was equivalent to the level of 3 months of production in 1978 or an increase of 43.5 percent over the same period of last year. The magnitude of the increase in Taizhou Prefecture was as great as 59.6 percent.

To enable the people throughout the province to enjoy a rich and colorful Spring Festival, numerous industrial departments in our province have organized and arranged by every possible means for the production of marketable and fine-quality name-brand consumer goods in January. Light industrial output value in January exceeded 2 billion yuan, an increase of 44.6 percent over the same period of last year. A marked increase has been reported in textiles, medium- and high-grade durable consumer goods and foodstuffs favored by the people. Output value of bicycles, sewing machines, polyester-blend fabrics, woolen yarn, white wine and cigarettes increased by over 10 percent; that of dairy products, silks and satins increased by 30 percent; that of home washing machines, woolen fabrics, beer and canned goods increased by 60-90 percent; and the output of TV sets, electric fans, refrigerators and readymade clothes also doubled and redoubled.

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AGGREGATE ECONOMIC DATA

RADICAL CHANGES IN TOWNSHIP ECONOMY IN JIANGSU

Beijing GUANGMING RIBAO in Chinese 22 Feb 85 p 1

[Article by Mao Rongfang [3029 2837 2455]: "Jiangsu Province Reports Appearance of 27 100-million-Yuan Villages (Townships)"]

[Text] It is learned from departments concerned recently that another 20 villages and towns in the more prosperous Jiansu province had broken through the 100-million yuan mark in industrial and agricultural output value last year. In addition to the seven 100-million-yuan villages that came into being in 1983, Jiangsu now has 27 100-million-yuan villages (towns). These 27 100-million-yuan villages (towns) are Qianzhou, Yuqi, Dongjiang, Yangshi, Yanqiao, Luoshe and Hongqi villages of Wuxi county; Huashi, Zhouzhuang, Xijiao and Yaosai villages and Qingyang town of Jiangyin county; Leyu, Tangqiao, Miaoqiao, Nansha and Sigang villages of Shazhou county; Fushan, Xushi, Wangshi and Bixi villages of Changshu city; Huangxiang, Yangming, Nanzhan, Heluo and Liyuan villages of Wuxi city suburbs and Hutang villages of Wujin county.

These 27 100-million-yuan villages (towns) of Jiangsu have reported fast economic growth in recent years. The total industrial and agricultural output value in 1984 had in general more than double that in 1980. In these villages and towns, the "five wheels"--villages, hamlets, teams, joint households and families--rolled simultaneously, and agriculture, forestry, animal husbandry, sideline occupation, fishery, industry and commerce and service trades developed comprehensively thereby bringing about radical changes in the rural economic structure. The village-township in particular had become the mainstay of the rural economy, large numbers of peasants had become workers who "left the farm but remained in the villages" and "entered factories without going into the cities." In the thriving countryside today, factory building had risen from the ground one after another, and small towns had flourished with each passing day. The output value of these village (township) enterprises in general accounted for approximately 85 percent of the total industrial and agricultural output value of the local villages (townships) and the labor forces engaged in factory work took up about more than half of the total labor force in the countryside. Heluo village in Wuxi city suburbs had been bound to the soil in the past with the economy remaining

stagnant for many years. Last year, by putting into play the advantages of the village of being located in the city suburbs with good transport facilities and having quick access to information, they had developed selectively the rural industry, fishery, commerce, tourism and service trades thereby opening the avenues to making money. With the total industrial and agricultural output value aggregately increased by more than 40 percent over the preceding year, Heluo village had overnight jointed the ranks of 100-million yuan-villages. Bixi village of Changshu county, while running well the tradition of having every household engage in embroidery and knitted cloth production, had opened 92 rural factories by assembling funds, equipment and technology. The total industrial and agricultural output value in 1984 came to 101.97 million yuan.

Another important reason for the economic take-off of these 100-million-yuan villages is the employment of capable people and paying attention to science and technology. Large numbers of pioneering-type cadres, knowledgeable in economics and management, had appeared in villages, hamlets and enterprises. In developing commodity production, these cadres had been bold in reform and shown respect for knowledge and qualified personnel. They had not only employed every means to search for backers in universities and colleges and major factories in cities and drew support from others to develop their own enterprises but had also spared no effort in training qualified personnel in their own villages and towns. Up to now, Dongjiang village of Wuxi county has employed more than 240 technical personnel from other places. In the meantime, the village has invested 180,000 yuan to set up a television university class, 36 persons, released from regular work, are now studying there. It has also set up six long-term training classes and 17 short-term training classes and selectively sent 67 persons to study in institutes of higher education and technical schools and 133 persons to get on-the-job training in major factories in Shanghai, Wuxi and Suzhou. The training and assembling of qualified personnel has enabled that village to maintain its advantages in the increasingly fierce market competition.

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AGGREGATE ECONOMIC DATA

BRIEFS

ZHEJIANG REPORTS INCREASE--Since the 3d Plenary Session of the 11th CPC Central Committee, Zhejiang's national economy has been following a sustained, stable and healthy path of development in the course of reform. In the 5 years between 1979 and 1983, the province's total industrial and agricultural output value has progressively increased by an average of 13.8 percent each year and the national income has progressively increased by an average of 12.7 percent each year, approximately doubling the average annual increase of the preceding 26 years. Particularly since 1984, an unprecedented excellent situation has appeared in the national economy after the people throughout the province energetically implemented the policy of reforming, opening up, renovating and developing put forth by the provincial CPC committee. Total industrial and agricultural output value amounted to 49.77 billion yuan, an increase of 21.5 percent over the preceding year, or a net increase of more than 8.8 billion yuan. This increase also exceeded the general rate of increase of 3 or 4 billion yuan per year since 1979. [Text] [Article: "An Excellent National Economic Situation Hitherto Unknown Has Appeared in Zhejiang As Its Total Industrial, Agricultural Output Value Last Year Shows a Net Increase of 8.8 Billion Yuan over the Preceding Year"] [Hangzhou ZHEJIANG RIBAO in Chinese 5 Feb 85 p 1] 12662

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ECONOMIC MANAGEMENT

PRC JOURNAL ON ESTABLISHING NEW ECONOMIC COMBINES

HK230931 Beijing JINGJI GUANLI in Chinese No 3, 5 Mar 85 pp 18-21

[Article by Li Yinshui [2621 7390 3055] and Mao Zhiquan [3029 1807 3123]:  
"The General Plant, A New Type of Conglomerate, Is Emerging"--Edited by  
Liu Qichang [0491 0366 2490]]

[Text]

I

The organizational structure of enterprises is the basic structure within the urban economy. It is closely related to the industrial structure, the product mix, and the technological makeup. Its rationality directly affects the rationality of the entire urban economic structure and to a great extent determines the development of the regional economy and the improvement of comprehensive economic results. Thus, studying the organizational structure of enterprises is an important aspect of the study of regional economic development.

The readjustment of the structure of enterprises and the reform of the industrial management system complement each other. In a sense, the readjustment of the structure of enterprises is the precondition for the reform of the industrial management system, while the latter creates the external conditions for promoting the rationalization of the former. Thus, perfecting the structure of enterprises constitutes an important component and the groundwork of the reform of the industrial management system.

The fundamental way to, and direction of rationalizing the structure of enterprises is to organize enterprises into mutually dependent groups according to the principles of coordination among specialized departments and economic rationality through the process of merging. In the world of reorganizing and merging enterprises since the 3d Plenary Session of the 11th CPC Central Committee, Changzhou City has developed a number of new-styled economic combines on top of the "coordinated" organizational forms. General plants, a new type of conglomerate, are emerging. With their unique position and role, they are bringing about new changes in the organizational structure of enterprises. They have also led to the further readjustment of the regional economic structure and the industrial management system and promoted the further development of the national economy.



The term general plant is by no means new. It has been in use for a long time. However, studies on this kind of economic combine have only just begun and people often regard the term as a synonym for corporation. Sometimes, when conducting studies on corporations, they indiscriminately put the term general plant in brackets after the word corporation, thus equating the two terms, or confused general plants with ordinary combines. We think that general plants constitute one of the many forms of economic combines. They have the advantages of ordinary combines. For example, they are beneficial to fully utilizing the existing foundation, developing the strong points, making the best possible use of favorable conditions and avoiding the effects of unfavorable ones, expanding comprehensive productive capacity and enhancing unified competitiveness. They can facilitate the use of advanced technology and equipment, speed up the development of new products, and raise labor productivity. They can also promote the scientific division and coordination of labor, the rational organization of productive forces, and the improvement of comprehensive economic results. These advantages are preconditions for the existence of combines. Any form of combine that does not embody these advantages is bound to be eliminated. However, this is not all there is to it. We should make concrete analysis of the general plants and study the specific role they play in economic development. Comrade Mao Zedong pointed out in "On Contradictions": "In all forms of movement, every process of development which is real and not imaginary is different in nature. In our research work, we must pay attention to this point and must proceed from this point." In line with this guiding ideology, we have recently conducted a preliminary survey on general plants in Changzhou city. They produce bicycles, cameras, tape recorders, electrical machinery and appliances, domestic electrical appliances and knitwear. Proceeding from microeconomic considerations, we have conducted some study and investigation into certain questions regarding general plants, paying special attention to macroeconomic results and the industrial management system.

## II

General plants are conglomerations of a number of medium-sized and small factories. They have brand-name, high-quality, and new products as their core of strength, rely on backbone factories for support, and have their own internal economic links. This form of combine can better serve the actual needs of different levels of productive forces and diversified economic forms in society. They are conducive to reducing the levels of administrative management, developing horizontal ties between enterprises, rationally organizing economic networks between urban and rural areas, and enhancing the competitiveness of the conglomerate. In this way, they will be able to demonstrate increasingly greater vitality in the course of development and produce a number of intrinsic characteristics.

### 1. General Plants Are Closely-Knit Economic Combines

With this type of combine, the scope of conglomeration is not restricted to a particular essential factor or process of production. Rather, it serves the common goal and the overall interests and keeps changing and developing. It represents long-term, conscious, and steady conglomeration and coordination rather than temporary, fortuitous, and irregular cooperation. Sharing weal and woe, this kind of combine is different from loosely organized "coordinated

processes" or economic bodies that "unite the nine aspects" (namely, manpower, financial and material resources, production, supply and marketing; the party, government and the masses). Due to differences in the level of productivity and the level of management, the degree of unity in various general plants differs. However, basically they all have unified leadership and unified production plans and they all carry out product development, technical transformation, and management in a unified way. At the same time, they all give their branch factories some degree of autonomy. Thus, there is unified as well as separate management and each factory assumes sole responsibility for its own profits and losses.

In production, the general plant is responsible for taking orders placed by state plans or other units. After overall balancing, it assigns plans in a unified way and work will then be organized at various levels. Under the precondition of ensuring the production plans assigned by the general plant, the branch factories may, depending on the degree of their productive capacity, accept processing orders with materials provided or enter into coordination of a technological nature. On the question of material supplies, the general plant is responsible for mapping out unified plans, placing orders, and carrying out allocation, adjustment, swapping and management in regard to materials covered by the state plan. As to principal raw and semifinished materials not covered by the state plan, the general plant and the branch factories will work together to organize supplies. The branch factories are responsible for the purchase of sundry materials. On the question of sales, the general plant is responsible for signing contracts and fixing selling prices and dates of delivery. The branch factories are responsible for carrying out servicing within the city or supplying spare parts and accessories outside the city in accordance with contracts signed by the general plant. Products not covered by the state plan (increases or surpluses) may be sold by the branch factories themselves provided that the quotas for planned allocation and internal allocation are met. On the question of technical transformation, the general plant is responsible for unified planning and arrangement, seeking loans, and checking work progress while the branch factories are responsible for the actual implementation. There are three forms of financial management. 1) Unified accounting with management by different levels. 2) Accounting carried out partly in a unified way and partly by different levels. 3) Unified management with accounting by different levels. The general plant and the branch factories each have their own bank accounts and are responsible for their own profits and losses. Cost is checked at every level to ensure the fulfillment of targets. Accounts are settled externally according to state prescribed price and internally according to administered price or cost price.

"The combination of unified and separate management with each party assuming sole responsibility for its own profits and losses" is the basic characteristic of the internal management of general plants. "Unified" management is objectively required when specialized division of labor was developed to a particular stage. It reflects the common interests and aspirations of various branch factories. Without the necessary "unity" and a fair degree of "centralization," it is impossible to provide the necessary guarantee in terms of manpower and material resources for brand-name, high-quality and new products and for the backbone enterprises. This will harm the survival and development of the conglomerate and hamper the deepening and improvement of specialized division of labor.

"Separate" management recognizes that the branch factories are relatively independent commodity producers and they must be given due autonomy in production before their enthusiasm can be fully aroused. With "each unit assuming sole responsibility for its own profits and losses," the general plant will not benefit at the expense of the branch factories while the branch factories will not "eat from the same big pot" of the general plant. This is conducive to improving management, reducing cost, achieving better economic results and thereby invigorating the whole conglomerate.

## 2. General Plants Are Organizational Structures of a Conglomerate Nature

General plants, as seen in Changzhou City, generally evolve from three types of loosely organized combines. The first type is an improvement on and intensification of the original "coordinated processes." For example, the bicycles general plant was organized voluntarily on the basis of extensive coordination where "factories each producing a particular part pool forces to form a production line." The purpose of such coordination was to strive for quality, quantity, and brand-new products. The second type is formed voluntarily by factories on the basis of relatively stable supporting and coordination relationships and by upholding the principles of equality and mutual benefit. They are formed by economic means with initiative coming from the lower levels. For example, the camera, electrical machinery and appliance and domestic electrical appliance general plants are conglomerations formed by selecting a number of closely related factories and areas from 100 factories and areas. The third type is organized by administrative means by combining initiative from above with initiative from below in accordance with the principles of specialized division of labor, economy, and rationality. Examples of this type include the knitwear and tape recorder general plants. General plants organized in these three ways have something in common: They are the result of the intensification of specialized division of labor and competition and are needed for taking concerted action to meet competition. They are networks of multilevel structures formed voluntarily by a backbone factory (general plant), supporting plants (branch factories) and coordinating plants (relatively stable coordination points). They are formed by factories with their own interests, with initiative coming from above as well as from below. They consciously act according to economic laws and the principle of mutual benefit and concentrate their attention on brand-name, high-quality, and new products. This kind of conglomeration is giving impetus to the reorganization and merging of enterprises, continually enlarging the scope of specialized division of labor, boosting the degree of the socialization of production, and radiating from the key cities. As the "power" of the general plants increases, their radiation will steadily grow. Take the six general plants that we have investigated for example. The number of branch factories has increased from 10 to 23. The number of fixed supporting and coordination points, after screening, remains at a stable level of 110. At present, there are 21 general plants in Changzhou, with branch factories extending beyond the jurisdiction of the city and three counties, reaching across the Changjiang, and with coordination points extending beyond the provincial boundary and the Shanghai Economic Zone. This kind of conglomeration, which sees the combination of the parent body and its surrounding clusters, is just like plant colonies that grow on fertile soil. With the caress of the spring breeze, that is, the reform of the economic system, some conglomerations are being bred, some are sprouting, and some are growing and blossoming. Though the rate is not uniform, they are steadily growing strong.



### 3. General Plants Are an Effective Form of Management

As a form of management, the general plant is different from the existing administrative corporations in many ways. 1) It is not a vertical administrative relationship organized with administrative jurisdiction as the link. Rather, it represents horizontal economic ties formed with economic contracts as the link, and is conducive to breaking down the barriers between town and country, between different areas and between different departments or regions. There is much talk now about bringing into play the role of cities in managing the economy, but the points of emphasis and intention differ from person to person. Some comrades view the matter from the angle of "who should manage the enterprises." They talk about the transfer of power within the administrative organ without paying much attention to structural changes. As far as the enterprises are concerned, it makes very little difference whether they are managed by departments concerned or by the region. If things are not handled properly, new barriers will emerge. The organization of conglomerations of enterprises has opened a new path for breaking free from the shackles of departments and regions and reforming the industrial management system. 2) It is not organized with initiative coming from above by relying on administrative authority, administrative orders, and administrative means in a process which might be described as "braiding." Rather, it involves economic leadership by backbone factories, which have superior and advanced technological and economic strength, over the weak, the inferior, and the backward. But it is altogether different from the kind of bullying that we find under capitalism. The relationship between the general plant on the one hand and the branch factories and the supporting and coordination points on the other is one of socialist comradely equality, mutual benefit, and coordination, with the general plant giving support and help in terms of technology, finance, and management. In this way, the branch factories will give allegiance to the general plant and, as the branch factories increase their strength, the general plant will benefit from their improvement. 3) It does not have an unwieldy management organization of its own. Neither does it require the setting up of an additional administrative level. Relying on the leadership and management organ of the backbone factories, it carries out effective management by combining authority with responsibility and interests and directly integrating with the interests of the whole group. This is conducive to reforming the present mode which is characterized by duplication of leadership and multi-level management. 4) The general plant is an economic organization and is a breakthrough compared to administrative corporations where the functions of government and enterprises are not separated. Although there are still imperfections, it has prepared the conditions for the separation of government functions from enterprise functions.

The number of general plants in Changzhou City is still quite small. Despite their short history, they have demonstrated their superiority and vitality and achieved notable economic and social results. In the 5 years since the setting up of the Changzhou bicycle general plant, the number of "Golden Lion" bicycles produced by the plant have increased annually by over 50 percent. In 1984, a total of 750,000 bicycles were produced. These products are recommended by the Ministry of Light Industry as a new brand-name product and are sold to more than 20 countries. Since its inauguration, the annual output of the

Changzhou camera general plant has leaped to second place in the country, producing one-sixth of the national output. This was achieved without basic increase in labor force. In 1984, output amounted to 190,000 cameras. In the last 3 years, the Changzhou electrical machinery and appliances general plant has doubled its output value and profits. It is now producing five different series of special mini-electrical machineries of over 100 specifications. Relying on the comprehensive creative ability of the whole group, the Changzhou knitwear general plant is now able to produce eight major types of warp- and weft-knitted fabrics with hundreds of varieties. The output value for 1984 is estimated at 150 million yuan. The swift development of the general plant has promoted the development of the branch factories and a great number of supporting and coordination enterprises, particularly township enterprises. As a result, the ties between town and country are becoming closer and closer with each passing day.

### III

There are necessary conditions for the birth and development of the type of conglomerate called the general plant. Internally, the determining factors are products (they are the living soul of the existence of the conglomerate), technology and management (practice shows that technological progress and effective management by leaders are the two wheels on which the conglomerate relies to advance at great speed). Externally, it is influenced by economic management systems (such as the systems of planning, pricing, taxation, and industrial management) and economic policies. As a representative of new productive forces, these conglomerations of enterprises are still at an infant stage. It still takes time for people to get used to them and to carry out reforms in respect of relations of production and the superstructure. But we should do our best to shorten this process and actively create conditions for the organization and development of general plants.

The conditions for the setting up of general plants vary from plant to plant. After these years of practice, we believe that on the whole the following basic conditions must be present: 1) The setting up of the general plant must be conducive to enlarging the coverage of brand-name, high-quality, and new products, developing production based on coordination among specialized departments, promoting the integration of town and country, and improving economic results. 2) The various factories must have common aspirations and an initial conglomeration with key factories as the basis, which includes a number of medium-sized and small factories with internal links, must have been set up. 3) There must be relatively stable ties of coordination on matters of production and fairly close ties of dependence on matters of economic interest between various factories. The output value or output of products produced by such factories for the general plant must account for more than half of respective output. 4) The setting up of the general plant must be based on contracts signed by various parties. Necessary rules and regulations must be drawn up so that there are rules to go by. 5) General plants should be set up on the basis of "voluntary participation, equality, and mutual benefit" by adhering to the principle of the integration of initiative from below and consultation initiated by higher levels, with the former playing the leading role. 6) The general plant is a unified economic organization. It must

exercise necessary unified management in terms of manpower, material and financial resources, production, supply, marketing, domestic and foreign trade, over its branch factories. However, the nature of ownership of the branch factories will remain unchanged. 7) As a rule, the general plant will not have a management organ of its own. All the management functions of the general plant will be shouldered in a unified way by the management department of the backbone factory.

As seen from general plants that have already been set up, despite the fact that they have emerged and are developing fast, there are quite a few problems that need to be studied and solved. We must support and assist them in the following ways so that they can be continually improved and perfected.

1. Carry out streamlining of administration and delegation of power in regard to structure.

In accordance with the principles of the separation of government and enterprise functions as well as simpler and decentralized administration, power must be delegated to the enterprises. This is the key to the organization of conglomerations of enterprises. At present, the most important task is to truly implement the following provision of the "10-point Regulations for Further Extending the Decisionmaking Power of Enterprises" promulgated by the State Council: "In respect of inter-unit operations, enterprises have the right to take part in or organize interdepartmental or transregional operations provided that the form of ownership, jurisdiction, and the financial system remain unchanged. They have the right to select the best areas to organize coordination with for purposes of production or to spread their products." Administrative corporations which do not separate government and enterprise functions must be reorganized or dissolved step by step according to the merits of each case and organized into corporations in the nature of enterprises. Power delegated by the city to administrative corporations, which should have been delegated to the enterprises in the first place, should be handed over to the enterprise without reservation.

2. Give support and encouragement by means of policy.

This is the key to the survival and development of general plants. On the matter of taxation, value-added tax should be levied where possible. With regard to products on which value-added tax cannot be levied, it is proposed that industrial and commercial tax, which is payable by the branch factories, be converted into comprehensive tax rates, to be paid by the general plant in products tax levied on revenue from the sale of final products. Those that have difficulties paying tax may be given reduction according to tax regulations, or be allowed to deduct tax already paid on spare parts and accessories when paying product tax on the final products. During the period when the final products of the general plant are exempted from tax or are given tax reduction treatment, spare parts and accessories produced by the branch factories can also enjoy tax exemption and reduction. With regard to production development funds, general plants that have achieved notable economic results may raise the fixed asset depreciation rate by 1 percent and draw 1 percent from sales



revenue for their own disposal. The amounts thus drawn may be entered as cost. On the question of credits, general plants should be given priority in seeking loans and offered preferential terms and more flexible repayment conditions if they are producing brand-name, high-quality, and new products. Interest rates on circulating funds required by products that are recipients of national gold or silver awards may be reduced by 20 percent, while recipients of superior quality awards given by ministries or provincial authorities may be reduced by 10 percent. If general plants cannot raise sufficient funds on their own to finance technical transformation aimed at developing brand-name, high-quality and new products, they may apply for discount loans. If the annual profits on new products produced are lower than the average profits in the enterprise, or if the new products sold well in international markets but profits are lower than products sold at home due to high exchange rates, annual interest rates on circulation funds needed by them may be reduced by between 10 and 20 percent. On the question of pricing, complete sets of products produced by various factories under the general plant may be settled according to an internal price scale (or coordination price). Price is to be decided on through consultation within the general plant. Adjustments can be made so as to regulate the interests of various factories. On the matter of supplies, principal raw and semiprocessed materials needed by the general plant for the production of brand-name, high-quality and new products should be accorded priority by the materials department and offered preferential prices if such materials are not covered by planned allocation. On the matter of personnel, personnel and labor departments should assign general plants with badly needed scientific and technological personnel. On the matter of wages for labor, general plants that have achieved notable economic results and a steady increase in profits, should be allowed to float their total wages with taxes and profits realized. As for honors, general plants that have achieved good economic results and gained successful experiences should be given certificates of merit by the local governments.

General plants are at a stage of emergence and development. To a very large extent, our understanding of general plants still remains at a perpetual stage and there are many problems pertaining to their governing laws that we have not yet grasped. The above was just a preliminary probe and we sincerely hope to have your valuable comments.

CSO: 4006/657

## ECONOMIC MANAGEMENT

### BRIEFS

MANAGEMENT AWARDS GIVEN--Beijing, 22 May (XINHUA)--Prizes were given at a ceremony in Beijing here today to 10 factories which have achieved exemplary results in modern management. The purpose was to encourage more enterprises to improve their economic management and raise their efficiency, said an official of the China Enterprise Management Association, which sponsored and organized this activity. Selected from among 400,000 industrial enterprises throughout China, the best 10 have been resolute in restructuring their enterprises and upgrading management, the ceremony was told. Directors, managers and experts from 29 provinces, municipalities and autonomous regions, and 43 industrial cities attended. [Text] [Beijing XINHUA in English 1653 GMT 22 May 85 OW]

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24 June 1985

## FINANCE AND BANKING

## LI CHANGXING REPORT ON FINANCIAL BUDGET

SK300950 Tianjin TIANJIN RIBAO in Chinese 16 May 85 p 2

[Apparent "text" of the report on the implementation of the 1984 Tianjin Municipal Financial Budget and on the 1985 draft financial budget, given by Li Changxing, director of the Tianjin Municipal Financial Bureau, at the third session of the 10th Tianjin Municipal People's Congress on 22 April 1985]

[Text] 1. The Implementation of the 1984 Financial Budget.

In 1984, our municipal economic departments conscientiously implemented the policy of enlivening the domestic economy and opening to the outside world, and achieved sustained, steady, and coordinated development in production. The market was more invigorating, economic results improved unceasingly, and the livelihood of the people improved to a further extent. On this basis, the implementation of our municipal financial budget was good. Financial revenue topped the annual plan and financial expenditures were within the plan with a small surplus.

Our 1984 municipal financial budget was readjusted after being examined and discussed at the 17th meeting of the Standing Committee of the 10th municipal people's congress. The implementation of the readjusted budget plan was as follows:

The financial revenue reached 3,993,230,000 yuan, topping the budget by 6.7 percent or 251.84 million yuan, an increase of 2.9 percent. 1) Tax revenue reached 2,766,370,000 yuan, exceeding the budget by 9.2 percent, an increase of 12.9 percent over last year. 2) Revenue from enterprises reached 1,126,740,000 yuan, topping the budget by 1.1 percent, a decline of 15.8 percent from last year. Of this, the revenue from industry came to 1,233,970,000 yuan, exceeding the budget by 1.3 percent, showing a decline of 12.4 percent from last year. Revenue from the commercial sector came to 42.19 million yuan, a decline of 34.8 percent from last year. Revenue from other enterprises reached 80.37 million yuan. The total amount of subsidies for the losses of grain enterprises and for the difference in the prices of grain, cotton, and oil-bearing seeds reached 229.79 million yuan.

Tax revenue increased rather greatly. This resulted from a large increase in the industrial and agricultural production, the expansion of the circulation channels, and an appropriate increase in taxes. With the development of the import trade, the amount of industrial and commercial taxes collected by the customs on commission increased markedly. After the implementation of the second step of the reform on substitution taxes for the delivery of profits in the state-owned enterprises, the profits made by some enterprises were changed into tax revenue.

The main reasons for the decline of industrial revenue were: The state increased the prices of some raw materials and the railway transport fees; some enterprises raised the rate of depreciation and used higher-than-normal-price coal and electricity; the rate of using working funds and loans was raised; the municipal treasury subsidized for the losses made in the foreign trade sector; and more loans were repaid by enterprises. If these objective factors were excluded, the industrial revenue would show an increase of 14.9 percent.

The decline of commercial revenue resulted from the great increase in the sales of some money-losing commodities such as pork, mutton, and eggs. The increase in deficits caused a decline in revenue.

Our municipality did a good job in fulfilling the state task of collecting funds for key projects. In 1984, the central authorities assigned our municipality to collect 162 million yuan for the construction of key energy and communications projects. Our municipality collected 297 million yuan, exceeding the state-assigned plan by 135 million yuan. The central authorities assigned our municipality to subscribe for 98.05 million yuan worth of treasury bonds and we collected 103.94 million yuan from the subscribers, topping the plan by 5.89 million yuan.

The financial expenditures reached 1,815,220,000 yuan, exceeding the budget by 86.4 percent, a decline of 10.4 percent from last year. If the incomparable factors of using less special funds for the construction of the Luanhe diversion project as compared with last year were excluded, the expenditure would show an increase of 8 percent. 1) The expenditures for capital construction came to 859.94 million yuan, fulfilling 84.2 percent of the budgetary plan, a drop of 28.2 percent from last year. Of this, the expenditures for the project of diverting Luanhe water to Tianjin dropped by 64 percent from last year; and that for earthquake relief funds, dropped by 9.6 percent. 2) The expenditures for enterprises to tap potential and to carry out technical transformation and for the three scientific and technological funds came to 191.62 million yuan, fulfilling the budgetary plan by 92.4 percent, an increase of 39.9 percent over last year. The main reasons for the large increase resulted from the comprehensive implementation of the contract system in tapping potential, and in carrying out transformation and scientific and technical projects in 1984, and the speeding up of enterprise technical transformation and the trial manufacture of new products. 3) The expenditures for city maintenance reached 30.64 million yuan, fulfilling the budgetary plan by 90.6 percent, an increase of 9.9 percent over last year. If the maintenance funds coming from the extra revenue of the municipality were included, the expenditures for this purpose will come to 106.79 million yuan. 4) The expenditures for supporting rural

production and other agricultural undertakings stood at 75.18 million yuan, which was 80.2 percent of the budget, showing an increase of 2.6 percent over last year. Such an increase was caused by the construction of more nonstaple food bases. 5) The expenditures for cultural, educational, and public health undertakings came to 382.14 million yuan, fulfilling 97.9 percent of the budget, and showing an increase of 13.9 percent over last year. 6) The expenditures for administration and management came to 124.42 million yuan, which was 93.4 percent of the budget, showing an increase of 28.6 percent over last year. Such increases were caused by the increase in the personnel and business funds in the judicial and public security organs.

Calculated in terms of the financial system, the revenue and expenditures of 1984 were balanced with a surplus of 490.76 million yuan. Of this, 264.87 million yuan would be carried over for continued use in 1985 because some capital construction projects--projects on tapping potential and transformation, the utilization of the three scientific and technological funds, and the farmland water conservancy projects--have not been completed yet and because the municipal, district, and county administrative and business units had implemented the contract system. Some 158.79 million yuan came from partial profits retained by the municipality, the above-quota retention of profits, and local taxes. And the remaining 67.1 million yuan came from partial profits retained by county-level units and their financial surplus.

The implementation of the 1984 financial budgetary plan reflected our municipality's excellent economic situation. In the course of implementing the budgetary plan, we initially reformed the financial and tax systems, in order to suit the needs of development. This played a certain role in invigorating the economy, developing production, raising economic results, and ensuring the needs of various undertakings. In the past year, we implemented the second step of reform of substituting taxes for profit delivery in line with unified plan of the State Council, invigorated large and medium-sized enterprises, and properly eased the policy restrictions in some small enterprises. We reformed the financial systems of districts and counties, boosted the enthusiasm of districts and counties in increasing income and practicing economy, reformed the methods and measures of loans and repaying loans, extended the time limit for reducing and remitting taxes for the trial manufacture of new products, and formulated policies to support the development of the food and tertiary industries as well as the collective enterprises. In addition, under the situation in which the state was short of financial resources, we raised funds from all quarters to actively support the development of the cultural and educational undertakings, and improved conditions for operating primary and middle schools in the rural areas through various means such as collecting funds from all quarters and receiving subsidies from the state. In scientific undertakings, we established the scientific and technological development fund, implemented in the scientific research units the system of "being responsible for one's own funds and taking all earnings," and the contract system of paying for the research of scientific projects, and speeded up the progress in commercializing scientific research findings. In the public health undertakings, we installed some advanced equipment in key hospitals and grassroots medical organs, and improved medical and health services. In line with the guidelines of the CPC Central Committee's Document No 1, and along with the



readjustment of the rural industrial structure, we supported rural areas to develop the commodity economy and improved the financial and tax systems. In order to improve the livelihood of the people in the urban and rural areas, and along with the increase in the consumption of grain, oil, briquets, meat, eggs, vegetables, and fish of the urban residents, the financial subsidies reached 560 million yuan, an increase of 100 million yuan over last year. All this helped to mobilize the enthusiasm of all quarters and played an active part in fulfilling the financial task of 1984.

In the past year, we achieved certain achievements in our financial work, but some problems still existed. The main reasons were: The economic results were not ideal; the financial management work of enterprises was poor; some enterprises even practiced fraud and understated their profits and losses; some units and enterprises suffered serious losses and waste; and particularly the unhealthy trend of arbitrarily issuing articles and bonuses in the fourth quarter of last year affected the smooth progress in reform. As far as the financial departments were concerned, these problems were mainly caused by poor management, and ineffective supervision. We should exert real efforts to improve this in the future.

## 2. The 1985 Draft Financial Budget.

The year 1985 is the year of thoroughly fulfilling the Sixth 5-Year Plan and successfully making preparations for the economic development in the Seventh 5-Year Plan period. It is also the first year of conducting reforms among economic systems as a whole with the work emphasis of urban reforms. The financial situation is excellent and tasks in this regard are very heavy. In order to be sure to enable the national economy to achieve steady, stable, and harmonious development and to make smooth progress in conducting reforms among economic systems, the municipality has made the following arrangements for the 1985 financial budget in line with the spirit of the national financial conference and the major targets set forth by the 1985 municipal plan for the national economy and social development: The target of financial revenues will be 4,124,310,000 yuan, a 3.66-percent increase over the 1984 figure in line with the calculation in terms of comparable items. The volume of various tax revenues will reach 2,957,150,000 yuan, a 6.89-percent increase over the 1984 figure. The income of enterprises will reach 1,159,850,000 yuan, a 2.94-percent increase over the 1984 figure. Of which, the industrial income will reach 1,261,300,000 yuan, a 2.21-percent increase over the 1984 figure; and the commercial income will reach 52 million yuan, a 23.25-percent increase over the 1984 figure. The income of others will reach 7.31 million yuan.

In 1985, the central authorities have assigned the task to the municipality of collecting 162 million yuan of funds for building the projects of energy resources and transportation, which is equal to the 1984 figure. They have also assigned 144.05 million yuan for the purchase of state treasury bonds, a 47-percent increase over the 1984 figure.

From this year, the State Council has decided to enforce the financial system in which "the demarcation line among various categories of taxes has been made, the volume of incomes and expenditures has been approved, and responsibility systems have been enforced in implementing the financial budget." Therefore,



the central authorities will no longer issue the directive on expenditures. According to the increased scales scored in the past years in expenditures and in line with the principle of being sure of building key projects and to giving consideration to general projects, the municipal budget of expenditures will reach 1,647,480,000 yuan, a 7.36-percent drop from last year's, and a 5.53-percent increase over the last year figure, except for the incomparable factors in the funds for diverting the Luanhe water to Tianjin. The budget of expenditures includes 158.79 million yuan of the municipal stand-by financial resources, the 264.87 million yuan of funds reimbursed from 1984, and the 51.14 million yuan of the stand-by financial resources of districts and counties. The arrangements of various expenditures are as follows: The expenditure of capital construction will reach 799.68 million yuan, a 3.2-percent drop from last year's. The funds of tapping latent power and conducting technical renovations will reach 15.34 million yuan, including the funds reimbursed from 1984 and the funds for improving commercial network. The expenditure of the three funds for science and technology will reach 28.39 million yuan, a 49.5-percent drop from last year's chiefly because the central authorities have not appropriated the funds for fixed projects and there will be an increase during the implementation of the budget. The funds for supporting agricultural production and undertakings will reach 81.59 million yuan, an 8.53-percent increase over the 1984 figure. The funds for culture, education, sciences, and public health will reach 427.11 million yuan, an 11.6-percent increase over the 1984 figure. Of these funds, the expenditure of educational undertakings will reach 239.93 million yuan, a 15.9-percent increase over the 1984 figure, and the expenditure of administrative fees will reach 11.98 million yuan, a 10-percent drop from last year's.

What we have to explain is that, first, the financial budget of incomes and expenditures is arranged in line with the original financial system. As soon as the new system has been enforced, the budget will be changed or relatively readjusted depending on the occasion. Second, in order to take consideration to the necessity in various aspects, we have arranged 20 million yuan of extra funds in the budget as compared with the existing funds of the municipality. We will strive to win over the Ministry of Finance to appropriate subsidies for making up this balance after the enforcement of the new financial system.

### 3. Struggle for the Fulfillment of the 1985 Financial Budgetary Task.

Our municipal financial budget for 1985 is fairly tight and our tasks are arduous. Our municipal reform of the economic structure will be steadily carried out in accordance with the arrangements of the central authorities. New progress will be made in readjusting the industrial and product structures. A number of technological imports and technical transformation projects will be put into operation one after another and these will add new production capacities. Through consolidation, the operational and management levels of enterprises will be markedly raised. After the second step of reform of substituting taxes for profit delivery, the distribution relationship between the state and enterprises will be initially fixed and the vitality of enterprises will be displayed to a further extent. The various forms of economic responsibility systems and the wage reform in enterprises will further mobilize the enthusiasm of the broad masses of staff members and workers. The results of further practicing economy and checking unhealthy trends will help improve economic results. All this factors are favorable conditions for

fulfilling this year's financial task. As long as we conscientiously implement the decision of the CPC Central Committee on reforming the economic structure, continue to implement the policy of opening to the outside world and invigorating the domestic economy, fully mobilize the enthusiasm of all quarters, and strive to develop production and raise economic results, it is possible for us to fulfill this year's financial task. To this end, we should grasp the following aspects well:

1) We should strive to develop production, promote technical transformation, attend to ending deficits and increasing profits, improve economic results, and increase revenue.

Our municipality's future major economic construction policy is to carry out technical transformation in the existing enterprises, and to rebuild and expand some projects. This is also an important way to make money. We should import technology and transform outdated enterprises in line with the unified plans of the municipal government, make wise use of the funds of enterprises and manage them well, update equipment, transform technology, improve production capacity, adopt new technology with a purpose and in a planned manner, develop new products, increase production, and increase profits.

We should continue to end deficits and increase profits. We should simultaneously grasp ending deficits and increasing profits with the focus on increasing profits. The focus of increasing profits should be on large and medium-sized enterprises. Enterprises should implement the profit-making measures, readjust the product structure, strive to raise product quality, lower the consumption of raw materials, and fuel and improve economic results. Money-losing enterprises should formulate measures to end deficits and to increase profits and their deficits should be 30 percent less than that of last year. Of this, deficits caused by ineffective management should be basically eliminated. The money-losing products turned out by profit-making enterprises are the main factors which we must not neglect because they will affect improvements in profits on the part of enterprises. We should make up our mind to make 30 percent of the unprofitable products become profitable.

2) We should realistically strengthen enterprises' financial management, reduce production cost, and raise the profit level.

Our municipality has achieved very good success in consolidating enterprises' financial work. This year, we should continue to grasp this work well. Enterprises which have been consolidated and have passed the acceptance test should strengthen themselves, make greater improvements, sum up and exchange experience, particularly the experience in modern management, and further raise the level of financial management.

The management of production cost should be grasped. In the past few years, our municipality attended to strengthening the management of production cost. But generally speaking, this work is still weak. The practice of false cost accounting is quite common, thus affecting the compilation of real figures and improvements in economic results. In order to fulfill this year's target of reducing production costs, we should conscientiously implement the "accounting law" and the "regulation for the management of production cost of state-owned

enterprises," issued by the State Council. At present, the management methods practiced in many enterprises, such as setting a quota for the production cost and profits, attending to value engineering, and fixing the quality, the cost, and the profits of products, are effective and should be promoted.

In addition, we should integrate the fulfillment of the set quotas for production cost and profits with the implementation of the economic responsibility systems in enterprises, adopt measures to reduce the consumption of raw materials and fuel, and develop new materials. The variable part of the management funds of industrial enterprises and of the operational funds of workshops and the funds for circulating commodities produced by commercial enterprises should be reduced from those of last year.

3) We should strictly control the consumption funds, and rationally organize the revenues from establishments.

In order to ensure coordinated development in the national economy, we should strictly control expenditures, especially those for meaningless consumption. The State Council has issued a circular on strictly controlling the institutional purchases and a circular on reducing administrative funds. It called on all organs, mass organizations, enterprises, and establishments to reduce their purchasing power by 20 percent this year, and the central and local organs to reduce their administrative fund budget by 10 percent. The variable part of the management funds of enterprises and the expenditures in the administrative funds of the establishment should be reduced in line with this demand. Under the premise of ensuring the needs of normal operating expenses, the operational funds should be arranged and utilized in a planned way and in order of priorities. We should fully display the role of the existing equipment and actively economize on operating expenses. We should strive to reduce expenditures in other aspects in line with the principle of spending a small sum and doing more work. All establishments and units with proper conditions should strive to become economically self-supporting and gradually become self-reliant in operating funds. Scientific research, designing, cultural, and broadcasting units, in particular, should vigorously carry out their professional work in accordance with their characteristics and favorable conditions, expand services, and charge reasonably. The increased funds should be used mainly for developing undertakings. As for agriculture-oriented funds and the expenses for productive items in particular, we should be good at using bank loans and use financial appropriations with discount interest to do more things. We should expand the scope of paying for the utilization of agriculture-oriented funds and achieve better results in using such funds.

During the past few years, our country's economic development has been good and the situation excellent. But on the whole, China's foundation is still weak and its funds for construction still inadequate. We should, for a long time yet, persist in the principle of plain living and building the country through hard work, practice strict economy, and oppose waste. Meanwhile, we should also strive to tap potential, raise economic results, explore more financial resources, be good at using funds, and make wise use of our limited funds to achieve greater benefits and to promote the four modernization construction.

4) We should continue to reform the financial and tax systems, strengthen management in levying tax revenue, and give full play to the role of tax revenue as a lever to regulate the economy.

Along with the deepening of the reform of the economic structure in the urban areas, we should further emancipate our thinking, proceed from reality while doing our financial revenue work, and speed up reform in accordance with our financial capability. The major points of reform are: Strengthen the vitality of large and medium-sized state-owned enterprises, improve the management system of small enterprises which have decision-making power in operations and are responsible for their profits and losses, and perfect the financial and tax revenue systems of township enterprises. We should formulate relevant stipulations to support technical transformation in line with the relevant central guidelines, encourage people to pay for the transfer of scientific and technological findings, support the three-on-one development in production, scientific research, and colleges, and coordinate and support the reform of the wage system of the personnel of state organs and establishments, the reform of the system which connects the total amount of wages of enterprise personnel with their economic results, the reform of the pricing system, and the reform of the scientific and technological system, as well as the educational system. We should also reform the financial management system and expand the financial experimental work in townships.

After the second step of reform--substituting taxes for profit delivery--has been carried out in state enterprises, most of the financial revenue should be collected in the form of taxes. The fulfillment or overfulfillment of the tax revenue task will play a decisive role in balancing the financial revenue and expenditures. At present, the city and township economy is developing very rapidly and a new change is emerging in the operational forms, the circulating directions of commodities, and commodity prices. We should develop the rural economy in a specialized, commercialized, and modernized manner and achieve new changes in the structure and distribution of the tax resources. Therefore, we must strengthen the tax revenue work, give full play to the role of tax revenues as a lever to regulate the economy, conscientiously organize strength to grasp the tax revenue of state enterprises, and strengthen taxation work in the collective economic units and with self-employed workers in cities and townships. Leaders at all levels should strengthen leadership over tax revenue work, increase concern and support for the work of taxation organs, overcome the one-sided view of applying the "benevolence policy," and go beyond limits of authority to reduce and remit taxes at will.

5) We should strengthen the management of funds not covered by the budget, and strive to achieve an overall balance in funds.

During the past few years, along with the deep implementation of the policy of invigorating the domestic economy and opening to the outside world, we have expanded the decision-making power of enterprises, mobilized the enthusiasm of all quarters, and succeeded in rapidly increasing the amount of funds outside the financial budget. The increase in such funds has exceeded the increase in financial revenue. It is estimated that such growth will be more rapid during the Seventh 5-Year Plan period. Therefore, the funds not covered by the budget are not only a supplement to the funds covered by the budget,



but also an important competent for guaranteeing funds for the four modernization construction. In order to wisely use such funds and manage them well, we should strengthen the management of funds not in the budget, proceed from reality in doing things, intensify the overall balance, formulate an effective overall financial plan, and direct funds not in the budget to support the needs of state projects through formulating necessary policies and guidance plans. Such work needs the implementation of policies and involves arduous work and too many other sectors. Support and cooperation from all quarters are necessary. We should resolutely guard against decentralizing financial resources, blind construction, trying to escape from supervision, and losing control of the utilization of funds. We should do a good job in invigorating the microeconomy, controlling the macroeconomy, giving full play to beneficial results of funds, and serving the four modernization construction.

6) We should strictly observe financial discipline, and resolutely check various malpractices.

Recently, several malpractices of seriously violating financial discipline have emerged in society, decentralizing and wasting many state materials and property, seriously disrupting the implementation of the party's principles and policies, and obstructing the smooth progress of reform. In order to prevent and check these problems, the CPC Central Committee and the State Council have adopted various measures. The municipal CPC committee and government have resolutely implemented the stipulations of the central authorities, and decided to use economic, administrative, and legal means to check the malpractices. All districts and departments in Tianjin must resolutely implement these stipulations, and strictly observe orders and prohibitions. Leaders at all levels should pay great attention to this work, restore and promote the glorious tradition of plain living, hard work, and strict economy, educate the cadres to pay attention to ideals and discipline, to adhere to the fundamental principle of socialism, and to strictly observe state laws and discipline. The financial and taxation departments at all levels should realistically strengthen supervisory work, conduct financial check-ups if necessary, and resolutely struggle against the various unhealthy trends and malpractices of violating the financial discipline.

Fellow deputies, in the first quarter, through the concerted efforts of the broad masses of workers in Tianjin, our financial revenue increased 13.55 percent over the corresponding period last year, along with a sustained growth of production. This was a good beginning. We should continue to grasp all work, actively organize revenue, strictly control expenditures, and struggle to successfully fulfill the 1985 financial budgetary plan.

CSO: 4006/657



## FINANCE AND BANKING

### INSURANCE 'FLOURISHING' IN RURAL AREAS

OW221241 Beijing XINHUA in English 1213 GMT 22 May 85

[Text] Beijing, 22 May (XINHUA)--Insurance is flourishing in rural areas as a result of the fast-growing rural economy and marked improvement in peasants' living standards, the PEASANTS' DAILY reports today.

Policies taken out by peasants were worth 95.7 billion yuan at the end of last year, 3.5 times the figure for 1983, the paper says. Premiums amounted to nearly 338 million yuan, a 3.6-fold increase.

In an accompanying commentary, the paper calls for greater diversity of rural insurance, with emphasis on township-run factories and households doing specialized work.

Forest fire insurance is now available in Jilin Province and the Guangxi Zhuang Autonomous Region, it says.

In the first quarter of this year, policies on 18,600 hectares of woods were taken out in Jilin and on about 2,500 hectares of fir forest in Guangxi.

The new business, still on trial, will be extended to other parts of the country.

Also during that period, over 2.16 million peasant households in China's most populous province of Sichuan insured their property.

The Provincial Insurance Company plans to insure 5 million rural households this year--roughly one-third of Sichuan's total.

Earlier this year, the People's Insurance Company of China launched for the first time cotton-growing insurance against natural disasters in 13 counties in in Dezhou Prefecture, Shandong Province.

To date, local peasants have taken out policies on 67,000 hectares, and more hectarage will be insured.

CSO: 4020/230

24 June 1985

## FINANCE AND BANKING

## PRC INSURANCE COMPANY BRANCHES DIVERSIFY BUSINESS

HK250712 Beijing CHINA DAILY in English 25 May 85 p 2

[By staff reporter]

[Text] Swimmers, nurses, stamp collectors and animal cart passengers are among the beneficiaries of proliferating insurance coverage in China.

The People's Insurance Company of China, Beijing headquarters, says local branches are flexing their new autonomy to diversify business scope.

Xiamen City Insurance Company in Fujian Province, for example, has begun offering insurance against swimming casualties. A policy covering death or injury from swimming, but specifically excluding dueling, will pay up to 1,000 yuan.

Guangdong Province Branch has new regulations for insuring saltworks. The rate to cover waterbreakers, power transmission lines and salt warehouses is between 2 and 3 percent a year.

Fengxian County Insurance Company in Jiangsu Province insured 107 stamps and 121 wooden frames at a recent exhibition. The liability covered such natural disasters as fire and earthquake.

Family nurses between the ages of 16 and 50 can now buy policies in Wuhan, Hubei Province for life and accident insurance up to 3,000 yuan at an annual rate of 5 percent.

Turpan branch in Xinjiang now insures animal carts. If the animal, or cart passengers or a third party gets killed or injured by natural disaster or accident, compensation will be paid.

Xi'an branch now insures horses, bicycles and electrical appliances. If a house collapses during a storm, if a bicycle is stolen or if an electrical appliance is damaged, compensation will be paid.

Insurance is also flourishing in rural areas as a result of the fastgrowing economy there are marked improvement in peasants' living standards, the PEASANTS' DAILY reported.

Policies taken out by peasants were worth 95.7 billion yuan by the end of last year, with premiums amounting to nearly 338 million yuan.

In an accompanying commentary, the paper called for greater diversity of rural insurance, with emphasis on township-run factories and households doing specialized work.

Forest fire insurance is now available in Jilin Province and the Guangxi Zhuang Autonomous Region.

That specialized coverage, still being offered on a trial basis, will be extended to other parts of the country.

More than 2.1 million peasant households in China's most populous province of Sichuan have insured their property.

CSO: 4020/230

FINANCE AND BANKING

PRC AUDITORS UNCOVER CASES OF FINANCIAL IRREGULARITIES

HK250654 Beijing CHINA DAILY in English 25 May 85 p 3

[Text] A nation-wide audit of commercial enterprises run by the Ministry of Commerce has uncovered 117,000 cases of financial irregularities that had cost the state 410 million yuan (\$140 million).

CHINA LEGAL NEWS reported the audit, which took 12 months to complete, was conducted at 96,000 enterprises under the ministry, which oversees distribution of grain, processed food, petroleum and fertilizer.

The just-released auditors' report found 11,000 economic crimes involving 27 million yuan. Those cases have been reported to legal authorities, the newspaper said.

Violations of standard bookkeeping practices in 86,000 cases cost the state 330 million yuan and bureaucratic errors in another 3,800 cases accounted for a 53 million yuan loss. Disciplinary action was taken against those who violated financial regulations, the report said.

Auditors from the Ministry of Commerce, the State Audit Agency and the Ministry of Finance conducted the financial inspection nation-wide. Auditors discovered violations of financial regulations and juggling of the books were common at many enterprises.

In one case, the newspaper reported that the Zhongshan County Food Company of Guangxi Autonomous Region and the six wholesalers under its management allowed their 12 employees to take more than 300,000 yuan of state funds as "private capital" to launch their own business.

In another case, some grain agencies in Hebei Province cheated the state out of more than 20 million yuan last year by faking overcharges price on 385,000 tons of grain which, they bought from the rural producers at a lower price. They were also found to engage in market speculation involving 15,000 tons of grain.

The auditors also noted in their report that bureaucratic bungling in some enterprises had given rise to illegal economic activities. Employees of the

Wenzhou Feed Company of Zhejiang Province embezzled 5,000 yuan by faking a non-existent "feed processing cost." They divided the gains among themselves.

The Ministry of Commerce is now formulating a complete set of new financial regulation and an auditing system in its enterprises to prevent recurrence of these irregularities, the report said.

CSO: 4020/230



## FINANCE AND BANKING

### NORTHWEST CHINA FINANCE, ECONOMIC WORK FORUM

HK300835 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 29 May 85

[Text] In accordance with the proposal of the NPC Finance and Economic Committee, the forum on the work of the financial and economic committees of five provincial and regional people's congresses in northwest China, which was chaired and held by the Finance and Economic Committee of the Shaanxi People's Congress, opened in Yanan on 21 May and concluded in Xian yesterday. Attending this forum were Xu Yunbei, NPC Standing Committee member and NPC Finance and Economic Committee member; responsible comrades of the finance and economic committees of provincial and regional people's congresses in northwest China; and responsible comrades of the finance and economic committees of the people's congresses of provinces, municipalities, and cities, including Shanghai, Guangdong, Liaoning, Sichuan, Tianjin, Jiangxi, Shandong, Xian, and Yanan, totaling 46 people.

At the forum the comrades present introduced the situation in economic development in their own provinces, regions, municipalities, and cities; exchanged experiences in the work of the finance and economic committees of the people's congresses; laid stress on discussing experiences in economic legislation, strengthening supervision of government financial and economic work, unfolding investigation and study, and further strengthening the building of the finance and economic committees of the people's congresses.

At the conclusion of the forum on the work of the finance and economic committees of the five provincial and regional people's congresses in northwest China yesterday, Vice Chairman Wang Renzhong attended and spoke at the forum. At the conclusion of the forum, leading comrades of the Shaanxi Provincial CPC Committee, the Provincial Advisory Committee, the Provincial People's Congress Standing Committee, the Provincial People's Government, and the Provincial CPPCC Committee and responsible comrades of the Xian City CPC and government and of departments concerned at the provincial level attended the forum.

CSO: 4006/657

FINANCE AND BANKING

BRIEFS

HEILONGJIANG CURRENCY WITHDRAWAL--According to statistics, as of the end of April, the withdrawal of currency from circulation in Heilongjiang Province had increased by 2.3 times over the corresponding period of 1984. According to incomplete statistics, as of the end of March the province reduced over 75 million yuan of unreasonable loans and the loans extended to commercial enterprises reduced by over 950 million yuan from the corresponding 1984 period. [Summary] [Harbin HEILONGJIANG RIBAO in Chinese 6 May 85 p 1 SK]

CSO: 4006/657

## DOMESTIC TRADE

### COMMERCIAL INFORMATION USED TO ENLIVEN ECONOMY

Beijing LIAOWANG [OUTLOOK] in Chinese No 2, 7 Jan 85 pp 26-7

[Article by Fei Xiaotong [6316 1321 6639]: "Small Towns, New Developments; The Continuous Transmission and Feedback of Information Has Burst Open the Locked Gates Between City and Countryside"; Part IV of a Series of Articles]

[Text] The new tie between city and countryside in the coordinated development of the regional economy is manifested in an increasingly rapid and diversified transmission and feedback of information. A deep impression that this investigation left me with is that I had never seen comrades in rural enterprises discuss and stress information as they do today. I understand that they voluntarily use the capability to feed back information as an important factor in the development of rural industry and as a prerequisite for improving an enterprise's competitiveness and its ability to meet emergencies. "Free thinking" and the combination of informational capability and administrative and technical ability are the criteria for selecting cadres for enterprises. Organizationally, rural enterprises construct structures which collect and disseminate information and assign specialized personnel to these tasks. The industries in many towns have set up "information courses" and "development courses" for engaging in the collection, syntheses, analysis and utilization of information.

Rural enterprises mainly need market and technical information. Market information refers to understanding the size of the demand for a product, the replacement of varieties of goods, and prospects for development. Technical information refers to understanding the newest trends in technical development and their influence upon the production and marketing of goods. With regard to Yangzhong County, these two kinds of information serve to promote exchanges, guide management, open up circulation, transmit scientific and technical developments, and respond to competition in the development of rural enterprises. Enterprises rely heavily on information because the supply and marketing of rural enterprises is basically the readjustment of markets. It can be said that the exchange and feedback of information is a necessary factor for the existence and development of rural industry.

We saw various kinds of information-gathering methods created by rural enterprises in the places we visited.

1. Suppliers and marketers gather information elsewhere and they usually circulate the information which is collected. For example, rural enterprises in Danyang County send people to gather information from around the country. These people account for more than 12 percent of all the village enterprise personnel.
2. Information stations and technology and production windows have been set up in Shenzhen, Xiamen, and other SEZ's and Shanghai, Beijing, Tianjin, and other industrial cities. The so-called windows are retail sales departments. They also exhibit and sell local top-quality famous brands in the counters and windows of local exhibition and sale centers to attract Chinese and foreign customers. Market changes are observed on the spot, production information is gathered, and the feed back is subsequently used as the basis for developing new products and obtaining the latest technical information. In Shenzhen and elsewhere Danyang County has set up five windows including a Zhenjiang (Danyang) special products counter in the Zhuhai SEZ.
3. They invite consultants to gather information. The consultants come from institutes of higher education, scientific research units, and contacts in state-run industrial enterprises. In general, whatever enterprises can maintain vitality and a continuous regeneration of products have a "behind the scenes backer." For the past 5 years, the Chemical Industry Instrument Parts Plant in Changwang Village, Yangzhong County, has developed two 10-series chemical meters, more than 200 kinds of goods, and more than 2,000 specifications, some of which have filled blank spots in China. The goods are sold in 16 countries and areas. One of the important reasons for this is that the plant continuously receives product information from its numerous contacts in other units. Additionally, in order to obtain the latest product information, employees in rural enterprises invite experts and scholars, managers of large stores, and directors of wholesale departments to be consultants. They obtain information about the regeneration and improvement of products from comrades engaged in scientific research work. They get information about the direction and rate of the flow of goods from comrades engaged in practical work.
4. They obtain information from various specialized conferences like annual meetings, production order meetings, academic discussions, etc. In the beginning, rural enterprises had no right to attend these meetings. Nevertheless, once they heard that a meeting was being held they went uninvited. If they could not get into the meeting hall they would go to the halls of the meeting members and meet all kinds of people, thereby getting lots of information. Some enterprises even worked so hard as to gradually come to the forefront of their own trade and then got the right to be official members at gatherings of specialists.
5. They collect information from scientific committees and associations, political associations, statistical bureaus and other organizations, groups and departments. Everywhere we went I saw that the scientific committees of various counties had set up development courses and that rural enterprises had set up consulting companies. These organizations are specifically responsible for collecting information about new products and the enterprise's technical problems. The scientific organizations contacted many intellectuals in their own counties and people from their hometowns who work elsewhere. These people were invited to come and offer information about their own specialties whenever they

can. The democratic people in the political associations use their own broad social contacts to gather reports on various aspects of rural industry. The county statistical bureau makes full use of the statistical data that is at hand to analyze the production and consumption of goods and resources, the level of economic results in their own area, province and on a national scale, and they report their findings to village enterprises in a timely manner.

From this it is evident that the first characteristic of the collection and utilization of information by rural enterprises is numerous channels. The various methods enumerated above are the conclusions of this study. In reality, the paths by which information flows to the countryside are much more numerous.

The second characteristic of the collection and utilization of information is that rural enterprises are good at discovering and taking hold of information. While gathering information, comrades from rural enterprises have coined many new terms, such as "direct information" and "indirect information." So-called direct information refers to obtaining information via reports on product sales, demand and economic results. Their advantage is that they are easy to survey and to obtain. The disadvantage is that direct information reflects past and present economic activity and often passively guides production. Indirect information is the analysis which has to be obtained through one's own thinking. The manager of a rubber plant in Xizhang Village, Shazhou County, really knows how to use indirect information. When Deng Xiaoping said, "Soccer must be learned from infancy," this manager immediately made soccer balls and baby balls, thereby capturing the market. Right now rural enterprises have similar ideas. They do not just passively get market information to satisfy the demands of the people but they actively analyze what the people like and what appeals to them. Novel products are created that the people like to enrich and guide the people's demands. When suppliers and marketers for a rural enterprise in Danyang County were in Shanghai they saw that many people liked to wear their knit underclothing on the outside. The enterprise personnel made some studies and designed a new style of wool shirt-like outer clothing, based on the styles people like. From this information the plant immediately switched production and in less than 2 weeks a batch of goods was put on sale in Shanghai. The batch sold out in an instant. These rural enterprises not only pay attention to developments in production in their own trades but they also closely observe the socialized large-scale production developments in other related trades. From this they predict the future development of products in their own trades. For example a grinding wheel plant in Yangzhong County that makes grinders is closely observing developments in the machinery trade. As soon as any new machines appear, they strive to manufacture new grinding products as ancillary parts for these machines.

The third characteristic of the collection and utilization of information by rural enterprises is that transmission is very rapid and the collection is swift. The period between obtaining a bit of information, applying it, and achieving economic results is often quite short. Airplanes are the means of transportation commonly used by rural enterprises and telegrams and telephones are essentially communications tools. After a careful analysis, if they feel that a piece of information is really reliable and feasible, they can very quickly make plans to arrange the entire plant's production activities. For example, after Danyang County set up a "window" in the Zhuhai SEZ, foreign businessmen



became terribly interested in Danyang silk. The workers understood from negotiations with foreign businessmen that if silk clothes were made according to the tastes of foreigners there would be more sales and more economic results from silk articles. After this information was fed back to the county, the units in charge immediately organized the design of new styles and contacted the concerned enterprises to make them. After the goods were promptly sent to the local exhibition center, there was a big "fad for Danyang silk goods." The transmission and feedback of information of the entire bit of news took only a little more than 30 days.

The fourth characteristic of rural enterprise collection and utilization of information is a high utilization rate and large economic results. During the investigation, I heard many examples of how a bit of information saved a product or opened a new way of selling or a sales market. For example, the Danyang County, Jie [Commune] brand, Xiaba Mountain Brigade's lamp factory originally made integrated circuits. Later it was on the verge of bankruptcy because its goods were unsuited to the market, its quality was not up to standard, and it lost money every year. Then the brigade heard that many cities intended to open roads and there was a great demand for street lights so they borrowed 30,000 yuan from other factories and switched production to street lights. They also continuously upgraded their goods to be decorative with new styles and meters. Since then, not only has the whole plant avoided danger but production value has shot up from 630,000 yuan in 1980 to 2.01 million yuan in 1983. In 1984 this factory linked up with Harbin, Changchun, Beijing, Tianjin and Wuhan and has done jobs earning 4.4 million yuan.

Information is continuously fed back and transmitted, not only making rural industry achieve progress by leaps and bounds but also causing a great change in the look of rural society. It resembles an enormous shockwave, breaking open the locked gates between city and countryside and making the circulation of information happen between the two. Regional economic development is becoming increasingly coordinated. Regardless of whether we make practical observations or theoretical analyses, both come to the same conclusion: social systems that are high in productivity are always open systems. This is because it is always necessary for a social system to maintain its stable development via the continuous flow of goods and energy and the exchange of information. Then it will be able to be highly responsive to changes in the outside world and also to influence the surrounding environment in a planned and effective way. A closed system cannot influence the outside world. A closed system will gradually open only by the continuous feedback and transmission of information. Information has become a major factor in the development of rural society and rural enterprises.

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CSO: 4006/414

## DOMESTIC TRADE

### OPEN-DOOR POLICY SPURS URBAN, RURAL ECONOMIES

OW211317 Beijing XINHUA in English 1157 GMT 21 May 85

["Trade Booms as 'Castle' Chengdu Lowers Drawbridge"--XINHUA headline]

[Text] Chengdu, 21 May (XINHUA)--A new open-door policy in the Sichuan provincial capital of Chengdu is spurring on the urban and rural economies, say local officials.

The policy is helping to channel industrial technology and scientific results to rural areas, and is enabling peasants to sell agricultural produce and develop service trades in the city.

This has resulted in a new relationship between town and country, promoting mutual and harmonious development and common prosperity, the officials said.

Previously the city was cut off from rural areas by administrative barriers, and had developed what officials described as an isolated "castle-type" economy.

This prevented it from developing as an economic and cultural center.

Two years ago, the city authorities decided to knock down the barriers, and to use industrial technology and science to promote its rural economy.

As a first step, the authorities encouraged factories to allow rural areas to process part of their products.

More than 300 people from suburban countries and townships were invited to tour 52 large plants to discuss co-operation deals.

By the end of last year, more than 200 urban-rural economic complexes had sprung up, involving 500 units from the city and rural areas.

During the year, 164 city businesses allowed machinery and components to be processed and produced by 259 township enterprises, boosting the latter's total output value by more than 100 million yuan.

At a trade fair last month, 307 letters of intent were signed transferring the manufacture of products to suburban areas.

When all are realized, it will bring more than 700 million yuan in extra output value to the rural areas. This will benefit an estimated one million peasants.

The authorities have also organized scientific and technological service centers, intellectual development centers and technical markets in the city, counties and townships to bring technology to the countryside.

The Jinniu area invited more than 1,000 technicians from the city to advise on agriculture, industry and commerce.

This paid off, for last year the area's average per capita income reached 500 yuan--well above the national average of 350 yuan.

The city has set up 10 trading centers for agricultural and sideline produce in the city and 15 specialized farm produce markets.

The influx of peasant dealers into the city has increased from a few thousand a day 2 years ago to about 50,000.

The volume of transactions last year soared to 138.9 million yuan--double that of 1982--and in the first quarter of this year, it increased by 60 percent compared with the same period of 1984.

Peasants are now flocking to the city to open restaurants, hotels, barger's shops and repair centers.

CSO: 4020/229

## DOMESTIC TRADE

### YUNNAN REPORTS COOPERATION WITH OTHER PROVINCES

OW210832 Beijing XINHUA in English 0658 GMT 21 May 85

[Text] Kunming, 21 May (XINHUA)--Economic and technical cooperation with other provinces have helped the minority peoples of southwest China's Yunnan Province to develop their backward economies.

According to the provincial government authorities, Yunnan has signed more than 700 cooperative agreements with 13 provinces and municipalities, including the city of Shanghai, and Jiangsu and Zhejiang provinces.

Funds, technology and experts from other areas have been helping Yunnan's minorities develop the consumer goods, building materials, chemical fertilizer and rubber industries; business, education and public health are also fields for cooperation.

Yunnan, richly endowed with raw materials, has 24 minority ethnic peoples.

A rubber producing district in Luxi County, where the Jingpo (Chingpo) nationality live, used to sell only raw rubber. But now, 3 months after the Shanghai Luhui rubber products plant came to help them improve equipment and train personnel, the district is able to produce a dozen rubber products for industrial, agricultural and medical use.

The Dali Bai nationality autonomous prefecture has concluded about 200 cooperative contracts with other provinces on technology, rolled steel and motor vehicles. The prefecture will pay them back in timber, tung oil and other materials. The volume of trade is about eight million yuan-worth. A number of factories such as a nitrogenous fertilizer plant, cement plant and sugar refinery have been upgraded technically, and have already shown improved economic results.

The output of vegetables, pigs, chickens and fish has been doubled since last year when Shanghai County sent experts to the Dehong autonomous prefecture (inhabited by people of the Dai and Jingpo nationalities) to help train more than 300 technicians.

Helped by technicians from other provinces and municipalities, the minority ethnic peoples are able to make wine and soft drinks, and mass-produce their ethnic costumes.

CSO: 4020/229

24 June 1985

## DOMESTIC TRADE

## RENMIN RIBAO LAUDS WUHAN ACTION ON TRADE

OW210814 Beijing XINHUA in English 0654 GMT 21 May 85

[Text] Beijing, 21 May (XINHUA)—A new system of wholesale markets in Wuhan has broken down trade barriers and greatly eased shortages of machinery and raw materials, today's PEOPLE'S DAILY reports.

The Hubei provincial capital is praised by the newspaper for its success in reforming its supply of goods and marketing system.

Chinese authorities have been encouraging reforms to smash barriers between departments and regions, to stimulate a smoother flow of goods and to curb unnecessary stockpiling.

Since last July, Wuhan trade officials have opened 15 wholesale markets. This has greatly eased shortages of rolled steel, timber, coal and production equipment, the paper says.

In the past, these goods were allocated exclusively by the government to state-owned and collective factories.

More than 2,000 varieties of raw materials and machinery are available at the new markets, including motor vehicles, machine tools, metals, building materials and chemicals.

Factories can sell their products there after meeting state quotas, and any business is free to buy the goods at negotiated prices.

More than 20,000 tons of rolled steel above the state quota was sold in the city in the first quarter of this year, satisfying about 40 percent of the demand.

CSO: 4020/235



## DOMESTIC TRADE

### GUANGXI STRESSES ENLIVENING TRADE THROUGH URBAN FAIRS

HK280359 Nanning Guangxi Regional Service in Mandarin 1130 GMT 26 May 85

[Excerpt] The Regional People's Government recently approved and transmitted a report of the Regional Industry and Commerce Bureau on enlivening trade in urban fairs and importing nonstaple foods to cities. It has vigorously given the green light to further enlivening trade in urban fairs in our region and importing nonstaple foods to cities.

The report approved and transmitted by the Regional People's Government points out: The sources of nonstaple foods in the cities must be opened up through many channels, and links must be reduced. The suburbs of all cities and the counties in the suburbs must establish the idea of serving urban livelihood, readjust the production structure, and vigorously develop the production of commodities, including meat, poultry, eggs, aquatic products, and milk, which meet the needs of the urban markets and people's livelihood. All kinds of specialized households in the suburbs and counties in the suburbs which produce nonstaple foods can be organized to sell nonstaple foods directly in urban fairs. We can also adopt the method of inviting and sending people out to organize state-run, collective-run, and individual operators in other counties and provinces to urban fairs in our region to sell nonstaple foods. The prices of nonstaple foods in the fairs must follow the prices of the market and must not be changed at will.

With a view to doing well in importing nonstaple foods, it is necessary to speed up the construction of urban fairs, to set up a network and points to serve the nonstaple food markets, and to provide sites and service facilities for the units and individuals who sell nonstaple foods. It is essential to strengthen control over the urban fairs and to unfold the civilized business drive. Those who adulterate goods with other false goods and who hand over goods less than purchased must be criticized and educated in minor cases and must be economically sanctioned in serious cases. The people's governments of all cities must strengthen leadership and departments concerned must actively coordinate with them and must vigorously support the work of importing nonstaple foods.

CSO: 4006/660

## DOMESTIC TRADE

### BRIEFS

**LIAONING SUPPLY TRADE CENTER**--The Shenyang Supply Trade Center the largest of its kind in China, formally opened for business in Liaoning Province on 5 May. Over 500 people, including responsible persons of the province and Shenyang City and representatives of economic circles from all parts of the country, attended the ceremony marking its opening. Cutting the ribbon at the ceremony were Governor of Liaoning Province Quan Shuren, Acting Mayor of Shenyang City (Wu Disheng), Director of the State Bureau of Materials and Equipment Li Kaixin, and Director of the Northeast Energy Transport Planning Office Shen Yue. [Shenyang Liaoning Provincial Service in Mandarin 1030 5 May 85 SK]

**YUNNAN, GUANGDONG COOPERATION PROJECTS**--A Guangdong provincial economic investigation and cooperation group headed by Vice Governor Liu Junjie discussed economic and technological cooperation matters in Yunnan from 2-7 May. Following investigations by the Guangdong delegation and talks between the two sides, the two provinces expressed the desire to further strengthen ties on the basis of the Guangdong-Yunnan cooperation minutes of last September, and to establish long-term economic and technological cooperation ties. They also reached agreement on a number of intended projects in accordance with the principle of bringing the strong points of both sides into play, benefiting each other, and developing together. These intended projects include joint cigarette production, joint efforts to exploit Yunnan's nonferrous metal resources, and joint operations in selling tea abroad. The two sides will supply each other with phosphate ore and sulfure iron ore. Guangdong will provide port and cargo-handling facilities for Yunnan to import steel, and so on. During its stay in Kunming, the Guangdong group investigated Yunnan's cigarette, beverage and other enterprises. Yunnan Provincial CPC Committee First Secretary An Pingsheng and Vice Governor Zhu Kui received the group. [Text] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 11 May 85]

**NANNING-BEIJING ECONOMIC, TECHNOLOGICAL COOPERATION**--The Beijing city economic and technological cooperation delegation, which was headed by a responsible person of the Beijing Municipal Economic and Technological Cooperation Office, arrived in Nanning recently. The delegation has held talks with relevant prefectures, cities, departments, bureaus and companies in the region. It has held discussions on carrying out economic and technological cooperation. Through negotiations, the region and relevant departments in Beijing and Nanning city and Beijing's Dongcheng District People's Government, have respectively signed agreements. The agreements stipulate that Beijing's Dongcheng District and Nanning city, and Beijing's Miyun County and Nanning

Prefecture will become cooperation partners and that they should help supply each others' needs, learn from each others' strong points to offset their weaknesses, benefit each other, and carry out cooperation on relevant items. The region and some relevant units in Beijing have reached more than 40 agreements of intention on carrying out cooperation, such as a flavored rice noodle restaurant in Beijing, jointly operated by Beijing's Dongcheng district, which will provide the site and waiters, and Nanning city, which will provide part of the investment and provide chefs and management personnel; and a project in which the (Donghu) woolen mill in Beijing's Dongcheng district will provide, for compensation, the technology for producing woolen sweaters to the Nanning city woolen sweaters factory and jointly produce woolen sweaters for export. [Text] [Nanning Guangxi Regional Service in Mandarin 1130 GMT 2 May 85]

DRIVE TO IMPROVE PACKAGING--Wuhan, 20 May (XINHUA)--Losses caused by poor packaging of goods are expected to be reduced by from 1 to 1.5 billion yuan this year, according to a national work conference ending here today. A national drive is now under way to improve the packaging of 21 major products, including cement, plate glass, chemical fertilizer, insecticide, fruit, eggs and aquatic products. Poor or rough handling of goods during transport is now a national problem, causing huge losses every year, according to the conference. [Text] [Beijing XINHUA in English 1838 GMT 20 May 85 OW]

LIAONING ILLEGAL BUSINESS EXPOSURE--As of late March this year, Liaoning Province had cracked down on 15 cases concerning illegal income from price hikes with the average sum of more than 10,000 yuan. Of these illegal businesses, the fireproof material plant in Dalian City earned 10,900 yuan in illegal profits; the cement plant in Fushun City, 128,000 yuan; the No 8 provincial radio factory, 225,000 yuan; and the deep-ocean products shop in Dalian City, 8,140 yuan. [Summary] [Shenyang LIAONING RIBAO in Chinese 3 May 85 p 1 SK]

HEILONGJIANG TECHNICAL TRADE ACHIEVEMENTS--According to statistics compiled on 22 May, Heilongjiang Province's trade volume at the first national technical trade fair reached 9.41 million yuan. Of this volume, the formal technical contracts are worth 3.42 million yuan and the contracts in the negotiated stage, 5.99 million yuan. The province's total trade volume at the national trade fair is expected to be more than 10 million yuan. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 23 May 85 SK]

PACKING, TRANSPORT, CIRCULATION LOSSES--According to an investigation, the verifiable losses in the packing, transport, and circulation links of 17 commodities in our province last year amounted to some 23 million yuan. The provincial large-scale packing inspection leadership group demanded that these losses be reduced this year by 78 percent, that is 18 million yuan. This morning, this leadership group held a meeting to convey the spirit of the relevant instructions of the State Council and of the third conference of the national large-scale packing inspection leadership group and to demand that all places and departments restore packing inspection organizations, put them on a sound basis, and shift the focal point of the work from inspection to improvement. In accordance with their own main goals, all places and departments must put forward their own measures and methods of improvement in order to reduce the losses this year. [Text] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 28 May 85]

## FOREIGN TRADE AND INVESTMENT

### COMMENTARY ADDRESSES OBJECTIONS TO OPEN DOOR POLICY

Beijing LIAOWANG [OUTLOOK] in Chinese No 1, 1 Jan 85 p 8

[Commentary: "How 'Imports' Hinder Self-Reliance"]

[Text] Everyone knows that after the war Japan relied on imports of advanced European and American technology. Japan saved approximately two-thirds of the time and nine-tenths of the research needed to join the ranks of the world's economic powers quickly. In today's world there is no lack of examples of similar "imports" to promote self-reliance. This compels people to seriously ponder the question, what is self-reliance? If we say that self-reliance refers to construction upon the basis of one's own efforts, then is it not self-reliant to give our own goods in exchange for and to use the money that we have earned to buy advanced foreign technology? The answer definitely is yes.

Nevertheless, when this reporter was interviewing people he came across some comrades engaged in economic work who mistakenly believe that self-reliance means "don't ask anyone's help for doing anything." What these people are most concerned with is always how to "nationalize goods" within a short time. Therefore, they are very indifferent toward importing technology. Some import only to obey the directives for foreign exchange usage of their superiors. Other symptoms of this disease arising from the same source are to regard imports as part of a "movement," to rush into the act, "to be the strongest for being there first," and "to wage a quick war and quick settlement." The root of this all is interpreting self-reliance from a "leftist" perspective. These people cannot correctly recognize the relationship between importing technology and self-reliance, and they mistakenly regard imports as an expedient measure. These comrades do not understand what it means to have sustained and large-scale imports of advanced foreign technology.

There is no need for superfluous talk. China's technological level is still very backward when compared to the developed countries of the world. Sustained and large-scale imports of advanced foreign technology are not just essential but a top priority. Considering the world's technological trade which is expanding day by day, firm and long-term imports are necessary. Although Japan has become one of the world's chief technology exporters it continues to import 2,000 projects per year even in the 1980's. This proves that even though China might become a technical power in the future, firm and long-term imports are still essential. Historically, countries and peoples advance together by making up for each others' shortcomings and having mutual exchanges. Some comrades fear that long-term

imports will create a lasting dependency but this is an entirely unnecessary worry. To import and to learn is a more significant and creative way of learning.

At present, since the main way China promotes technological progress is via the renovation of enterprises, when importing technology we must avoid making low-level and repetitive introductions and pay special attention to bringing together technology which is advanced, suitable and economical. Only in this way will it be advantageous to the renovation of old enterprises and the creation of China's own new technological system on this basis. From 1981 until now, upon the basis of digesting and accepting advanced foreign technology, the metallurgical industries have created 203 of their own new techniques, more than 90 of which have won scientific and technological prizes. This not only greatly promoted the technological transformation of the industry but further achieved obvious economic results.

Technology imports are an important component of China's policy of opening to the outside world. If we mistakenly think that this "shortcut" to economic development does not require long-term and arduous work, that we can get there in one leap, or if we have great fears and if we do not seek to forge ahead because of self-reliance, then the path may well be a "winding road."

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## FOREIGN TRADE AND INVESTMENT

## CHINA'S ECONOMIC TRADE RELATIONS WITH MALAYSIA

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 3, 27 Mar 85 pp 25-27

[Article by Pang Rongqian [1690 2837 2959]: "Economic and Trade Relations Between China and Malaysia"]

[Text] The economic relations between China and Malaysia are an important aspect of the bilateral relationship between the two countries as well as a matter of common concern. This article will present some views on the present situation, the existing problems, the prospects of future development, and particularly the problems of future development.

I. Assessment of the Present Conditions of China-Malaysia Economic and Trade Relations

Since the establishment of their diplomatic relations, the economic relations between China and Malaysia have developed satisfactorily.

In trade, the volume of transactions has gradually increased, and the commodities have become increasingly diversified. According to China's statistics, the bilateral trade in 1983 amounted to \$347 million, an increase of 13 percent over 1982. China's exports totaled \$199 million and its imports totaled \$148 million. These two countries are important trade partners to each other. China exports to Malaysia mainly light industrial products, live and animal products, grain and edible oil, textiles and hardwares, and imports from Malaysia mainly rubber, timber and palm oil. In recent years, China also bought from Malaysia such industrial products as polyester cotton and plywood in addition to Malaysia's traditional products.

Besides trading, the two countries have also begun economic cooperation in other fields. They have now reached several agreements on joint investment and contracting for engineering projects. In May 1984, Kuok Brothers Ltd of Malaysia made an offer to China Foreign Trade Consultation and Technical Service for joint investment in the construction of the Beijing World Trade Center which will cost \$195 million. In June 1984, Kuaida [phonetic 1816 6671] Construction Co of Malaysia won the bid for an engineering project contract in China's Xiamen Special Economic Zone [SEZ] for about \$7.6 million. Malaysia's Overseas Investment Co also made an offer to the Construction and Development Co of Xiamen SEZ for a "package service" which includes the construction of three power-generating factories, a commercial mansion, and some residential houses, factory

buildings, tourist centers and bridges, at a total cost of \$690 million. Although cooperation between the two countries in these fields is just beginning, the trend of development is gratifying.

The development of economic relations between the two countries is the result of efforts made by their governments and peoples. The leaders and departments concerned in both countries have exchanged many visits to promote economic and trade developments to which civilians in the industrial and commercial circles of both countries also made their contributions.

## II. Prospects for Economic and Trade Relations between China and Malaysia

Of course, we cannot overlook the fact that the scope of economic exchange between the two countries is fairly limited. In 1983, their trade volume amounted to only 0.9 percent of China's and 1.6 percent of Malaysia's foreign trade, while the economic cooperation in other fields is now only beginning. We believe that it is entirely possible for the economic exchange between them to be further expanded, and that there are many favorable conditions for this expansion.

1. There are already cordial relations between the two countries. Both of them have had the same historical experiences and are now faced with the task of maintaining national independence, developing their national economy and raising the people's living standards. They have been on good terms for more than 10 years since the establishment of diplomatic relations. Both countries support the five principles of coexistence and are in need of a peaceful and stable international environment. They are also devoted to the preservation of world peace and peace in the Southeast Asian region. In many important international issues, they take identical or similar stands.

2. There is great potential for economic development between China and Malaysia. We have made very great achievements in economic and social developments since the founding of New China, and our open door policy has infused new vitality into our economy. Malaysia's economy also developed rapidly in the 1960's and 1970's, leaving a deep impression in people's minds. Its economic development was slowed down in the first few years of the 1980's because of the Western economic crisis, but the economy recovered after 1983. Malaysia is still looked upon by outsiders as a promising investment market, and enjoys high prestige in the international financial market. It will not be difficult to predict that both countries will maintain a high rate of economic growth in the second half of the 1980's and in the 1990's. Along with the economic development in both countries, the amount of commodities suitable for export and the capacity to absorb each other's commodities will continue to increase, and more opportunities will be available for economic and technical cooperation.

3. Economically, each of the two countries has its own strong points and superiorities. Although both are developing countries, there are many differences between their economic structures and natural resources, and each of them has its own strong points and superiorities for economic development. China has a huge territory and a huge population with a fairly comprehensive industrial system. Malaysia has fairly advanced technologies in many fields. Therefore, we may say that the two countries can economically supplement each other.

4. The changes in the economic policies of both countries in recent years have helped strengthen their economic relations. Since 1979, when China adopted its open door policy, its economic contacts with foreign countries have continued to develop in depth as well as in breadth. In addition to foreign trade, it has gradually developed the use of foreign funds, imported technologies, offered labor service, and promoted multilateral cooperation in other new fields. Malaysia has adopted the policy of diversified economy in recent years, according to which, on the one hand, the national economic sectors and the product mix have become varied and are developing to a higher level, and, on the other hand, its economic relations with foreign countries have become more pluralistic. The trend of changes in the economic policies of both countries will create good opportunities for strengthening bilateral cooperation.

Of course, it cannot be denied that some problems still exist in the economic relations between China and Malaysia, and that the solution of these problems requires the common effort of both parties.

First, the problem of strengthening understanding and trust. Mutual understanding is a prerequisite for developing economic relations. Geographically, the two countries are close to each other, and historically, there have long been friendly relations between them. However, their mutual contacts have been less frequent in the past several decades and mutual understanding is inadequate in many areas. Therefore, some people in Malaysia still have misgivings about China and certain restrictions on their China trade have not been completely removed. This is certainly unfavorable to the development of economic relations. So goes an old Chinese proverb: "If there is mutual understanding, there cannot be mutual suspicion, and mutual suspicion must be removed before there can be mutual understanding." Both parties should, therefore, exert their efforts to achieve better mutual understanding and mutual trust.

Second, the problem of trade balance. Since 1975, in bilateral trade, the deficit has been on the whole a little heavier on Malaysia's side. Malaysia has many times requested that imports and exports be balanced, and China too had the same desire. China has made many efforts to solve the problem of trade balance. Since 1975, the increase in China's imports from Malaysia has been faster than the increase in Malaysia's imports from China. In future, China will make continued efforts to increase its imports from Malaysia and it is hoped that Malaysia will cooperate accordingly.

On the whole, as long as there is a common effort, there will be a broad vista in the development of economic relations between China and Malaysia.

### III. The Vision of Future Development

While the world economy will from now on remain in a state of slow growth for a long time to come and trade protectionism is becoming rampant, closer economic relations between China and Malaysia will be beneficial to their economic development and will increase their self-reliance. Furthermore, the development of economic relations between China and Malaysia, both being countries of the Third World, will give certain impetus to South-South Cooperation on a global scale. We believe that the future economic relations between these two countries will be fairly greatly developed instead of remaining at the present level.

Here, we would like to present some tentative ideas of developing the economic relations between the two countries.

1. Develop new commodities and adopt flexible trade methods to expand bilateral trade.

China-Malaysia trade has already had some foundation. In order to increase trade volume, special efforts should be made to develop the market for new commodities besides continuing to develop the market for the old commodities. For example, China can export coal to Malaysia, while Malaysia can export pig iron to China. There are also many promising commodities among finished or semi-finished products. At present, the commodities traded between them are not enough, and there is much room for future increase. Furthermore, they can make use of many flexible forms of trade, such as triangular trade, compensatory trade and bartering, as supplements to regular trade. We believe that it is entirely possible to double the trade volume of the two countries in several years.

2. Vigorously develop economic cooperation in many fields and many forms.

There is ample room for extensive cooperation according to the conditions of both countries. For example, China can cooperate with Malaysia in small-scale industrial construction, agriculture and the development and utilization of nonpetroleum energy. Furthermore, in the growing and processing of tropical crops and the felling and processing of timber, Malaysia has much experience which is of good reference value to China. There is also the feasibility for cooperation in banking, insurance, sea transportation and other fields. In the way of cooperation, there are good prospects for mutual investment, technological cooperation, labor service and multilateral cooperation.

3. Combine trade with economic cooperation in various forms to promote all-round development of economic relations between the two countries.

Of all forms of economic relations, trade relations are what both countries are most concerned with. However, we cannot talk about trade purely because it is trade; we must coordinate trade with various forms of economic cooperation under an overall arrangement. Through economic cooperation in various forms and by bringing into play the superiority of each country in developing new resources and new products and in improving the quality of existing products, bilateral trade will be expanded and economic relations will undergo an all-round development.

4. Exchange experiences in economic construction to help in the economic development of both countries.

Both countries have accumulated a great deal of valuable experience in economic construction. They can exchange this experience and make good use of each other's strong points. As a start, the departments concerned or the research organs can organize monographic discussions in various forms or arrange on-the-spot inspections under government sponsorship.

5. Increase the channels of personal contacts to enhance mutual understanding and to promote mutual cooperation. For example, restrictions on personal visits should be removed, while academic exchange and the holding of exhibitions should be encouraged.

In short, we confidently hope that through their common effort, economic relations between China and Malaysia will present a new outlook.

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## FOREIGN TRADE AND INVESTMENT

### INTERACTION WITH INTERNATIONAL FINANCIAL MARKET GROWS

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 3, 27 Mar 85 pp 28-29, 27

[Article by Song Daguang [1345 1129 0342]: "New Relations Between China and the International Financial Market"]

[Text] While economic restructuring is going on and the open door policy is in force, there have been new developments in China's relations with the international financial market, both in form and in contents.

#### I

International financial circles are now inclined to establish their representative offices in China in order to intensify their financial and economic activities.

With the approval of the People's Bank of China, the number of permanent representative offices established by foreign banks and other financial institutions in Beijing, Shanghai, Guangzhou and Shenzhen was up to 61 in January this year. Classified according to countries and regions, Japan has the largest number of financial institutions having representative offices in China--23, or 38 percent of the total number. France has five banks; the FRG and Italy have three each; England, four; the United States, seven; Sweden and Australia, two each; and Singapore, Pakistan, the Philippines, Belgium, Norway and Brazil, one bank each. In addition, the Hong Kong and Shanghai Banking Corp and the Chartered Bank of Hong Kong have also set up their representative offices in the inland. Recently, the Bank of East Asia and the Chartered Bank of Hong Kong have been permitted to reactivate their Shanghai branches for foreign exchange banking.

The foreign financial institutions having representative offices in China include the ordinary commercial banks, special foreign exchange banks, long-term credit banks, trust banks and security companies. All these institutions of different functions and from different parts of the world have their own special features, fields of business activities, clienteles, financial specialties and business techniques. They generally represent a multilevel network of organizations on the international market and therefore form close business contacts with their Chinese counterparts.

The extension of large loans wholesale for China's development projects has gradually become attractive to international banks. In order that these loans

can be extended smoothly and safely, the international banks must maintain frequent contacts with the various departments responsible for China's economic development. The foreign financial institutions usually need to know about the projects on which China uses foreign funds, and about China's ability to repay. The Chinese institutions, on their part, have to carry out repeated comparisons of the loan plans and conditions offered by different foreign banks before making their choice. The representative offices of foreign financial institutions do not directly extend the loans, but they can provide the necessary conditions for these business contacts to be conducted.

The foreign financial organs having representative offices in China have long and extensive connections in various trades in their own countries or regions. Furthermore, their influence is widely felt and the information feedback is swift. Hundreds of thousands of enterprises in our country are now faced with the arduous task of technical renovation and equipment transformation, and these foreign financial institutions can act as the media in our importation of advanced and suitable technologies and equipment. In recent years, many provinces, municipalities and regions have held discussion meetings on international economic and technical cooperation, and have publicized many items of technologies and equipment to be imported. In these meetings, the representatives of many international banks stationed in China have enthusiastically helped their own clients in the industrial and commercial circles to develop new potential markets and to explore the feasibility of cooperation in joint ventures so as to promote their exports of products and technologies.

## II

The Bank of China was formerly the only national bank to handle foreign exchange. To meet the new situation after being opened to the outside world, we now have more institutions directly participating in international financial activities, such as the China International Trust and Investment Corp, the international trust and investment companies of Guangdong, Fujian, Shanghai, Tianjin and Zhejiang, the China Investment Bank, the China Leasing Co, the Offshore Petroleum Co, and so forth.

The trust and investment companies, for example, can carry on their business of accepting trust deposits, negotiating loans, conducting international leasing, and issuing or acting as agents in issuing portfolios, all in foreign currencies and outside the country. They can also extend loans to the investment enterprises, underwrite foreign loans, contracts, bids and the fulfillment of contract obligations, and perform other services such as investigations and consultations in promoting economic and trade contacts with foreign countries.

One of the features of trust and investment company's international financial operations is that they can obtain short-term loans (Money Market Facility) from the foreign banks of offshore financial centers. This means a short-term turnover fund supplied by other organizations in the financial, and especially banking, trade, generally in amounts ranging from \$5 million to tens of millions of dollars, and the date of repayment may be the next day, next week, or from several months to 1 year later. Such funds are easy to handle and can be converted into other currencies in different forms, while the interest rate is the

the same as the money market rate (or the short-term interest rate in London, Singapore or Hong Kong.) They carry no additional interest, the time limit is highly flexible, and the loan can be renewed on the expiration date. The procedures are also simple.

Recently, there have been instances of financial units other than the Bank of China acting as financial guarantors in fund-raising by joint ventures. At the beginning of April, for example, the banking group first organized by Guoan [phonetic 0948 1344] Bank of the United States granted a syndicate loan of \$30 million for a period of 8 years to finance a brewery construction project in Zhuhai City. This transaction was underwritten by the China International Trust and Investment Corp to the satisfaction of the international banking group.

At present, there are some companies specializing in international leasing--a special type of financial operation. For example, the China Leasing Co, jointly run by the State Supply Bureau, some investment companies, some industrial and commercial banks and some insurance companies, now has its branch offices everywhere. There are also the China Orient Leasing Co--a joint China-Japan venture--and the Gunagdong and the Qingdao leasing companies.

Financial leasing is an important form of international leasing operations as well as the main feature of leasing companies. First, the customers, or leasees, in the country choose the equipment they want, and, after discussions over the details, the leasing company will either use its own foreign exchange resources or obtain foreign loans at fixed interest rates and on a medium- or long-term basis. The amount of loan can vary from several tens of thousands to as much as \$10 million or \$100 million, and will be used for purchasing the required equipment to be used by the leasee in the country on a rental basis for the duration of the lease. International leasing is simple in procedures and has the advantage of producing quick effects in improving the economic results. This advantage is now gradually recognized by people in the industrial and commercial circles in China.

### III

Because of the new requirements revealed in the course of economic practice and the different economic means used to raise funds on the international financial market, China has conducted a series of new experiments.

In developing our petroleum, coal and nuclear power resources, China will have to raise funds on the international commercial money market in amounts of billions or even tens of billions of dollars to be used on a long-term basis. If we can enter this market actively, steadily and confidently and thus familiarize our prospective creditors and investors with our national conditions so that trust and mutual trust will result in safe and dependable lending-borrowing relations, one of the important tasks of our financial institutions will be fulfilled. Now, the Bank of China has taken the lead in seeking loans from some syndicate on the market to finance the Guangdong Nuclear Power Plant and some other key energy projects. This is the first time in which international commercial funds are being used on China's economic construction, and this experience is undoubtedly of profound material and educational significance to our future economic development.

In the past 2 years, the China International Trust and Investment Corp and the Fujian Provincial Investment Enterprise Co have floated bonds in Japan to the amount of 10 billion and 5 billion yen, respectively, as their first step into the international security capital market. In October 1984, the Bank of China also for the first time issued bonds amounting to 20 billion yen through Nomura Securities Corp of Japan. It is anticipated that China will look to the European securities market in future. The financial changes characterized by a gradual accumulation of experiences, constant explorations, and steady development has received the general approbation of international financial circles.

In coordination with the opening of 14 coastal cities to the outside world, the 13 banks with Chinese capital in Hong Kong, headed by the Bank of China, have separately established relations with these cities for financial and economic developments. These useful experiments will play a leading and exemplary role in bringing these coastal cities into closer contacts with Hong Kong and Macao regions.

There are now many deposit-taking companies, jointly operated by Chinese organizations and foreign banks in Hong Kong. One of the more prominent ones among them is the Zhong-zhi-xingye [China-Chicago-Kogyo] Finance Co, jointly operated by the Bank of China, the China Resources Co, the First National Bank of Chicago of the United States, and Kogyo-Ginko Industrial Bank of Japan. The business of this company has developed rapidly and outstanding achievements have been made in developing offshore petroleum resources and building large hotels in the past several years. In September 1984, the China International Trust and Investment Corp bought 50 percent of the shares of (?Royce) [luoyisi 5012 0181 2448] Financial Co which was exclusively owned by the Royal Bank of Canada, and changed its name into Zhenhua Financial Co. Some coastal cities are also thinking of opening their financial companies in Hong Kong either independently or as joint ventures.

In recent years, the traditional method of raising funds in RMB by selling stocks to finance exploitation or development projects has again been used in China. The way to make effective use of the special functions of securities, to encourage and protect competition properly and rationally, to convince the enterprises of the need to stress economic results, and to enhance their sense of responsibility and their spirit of advancement has now become a matter of general interest. If we want to issue stocks as a new method of absorbing foreign funds, then the coastal cities, the SEZ's and Hong Kong--the third largest financial center of the world--will play even greater economic roles. People have positive views on further developments in this direction.

Along with the development of the SEZ's and the rapid increase in their imports and exports, there will also be a sharp increase in foreign exchange deposits, loans and remittances among the joint China-foreign ventures and the enterprises with exclusive foreign or Chinese capital in these zones. Thus we may say that business contacts between the SEZ's and the international banks are now very frequent. In view of this situation, many large international banks are now considering the necessity and feasibility of opening their branches in Shenzhen and other places, and some of them have formally filed applications to the Chinese department concerned for opening their branches. The questions people are

most concerned with are what type of banking business will these foreign banks carry out, how will the scope of their operation be prescribed, and what will be the legal status of their branches. In these respects, the theoretical explorations and practical steps which may encourage the flow of foreign funds and advanced technologies into the SEZ's, promote the economic contacts between these zones and the international market, and strengthen the position of these zones in international financial circles, will produce profound effects.

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## FOREIGN TRADE AND INVESTMENT

### AGENCY SYSTEM IN INSTRUMENT IMPORT, EXPORT DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 3, 27 Mar 85 pp 42-43

[Article by Zhong Yi [6988 7328]: "Be a Good Agent To Render All-Round Service"]

[Excerpts] As a foreign trade enterprise with a history of 30 years, and in view of the nature of its business and the characteristics of its commodities, the China National Instruments Import and Export Corp has adopted the agency system for more than 20 years and gained some experience of educational value from this system. We are of the opinion that the adoption of an agency system in foreign trade is an important step in reforming the foreign trade structure and that this step will play a positive role in improving business management and economic results and in promoting cooperation between foreign trade enterprises and user units.

The so-called agency system, as its name implies, means the handling of imports and exports by foreign trade enterprises on behalf of the production and purchasing departments for certain handling fees. These enterprises are to be responsible for their own profits and losses. In imports, under this system, the user units can use these foreign trade enterprises as a channel for their direct entry into the international market and for information on scientific and technological developments in the world so that they can closely keep up with advanced international standards and decide on the choice of instruments to be imported. At the same time, the agency system is also useful for economic accounting by the users, since they must carefully consider the funds they have on hand before importing their goods. Generally, they will import exactly what they want since they cannot afford to waste their own money. Under the agency system, the foreign trade enterprise's sole duty is to act as the representatives of domestic users, to protect their maximum interests, to provide an all-round service, and to lay a bridge of harmonious cooperation between the domestic users and the foreign suppliers.

For more than 20 years, the China National Instruments Import and Export Corp has dedicated all its resources to the following services under the principle "to be a good agent in offering all-round service."

The company has always believed that it is most important that first-hand information should be provided to users, and has spared no effort in collecting the most up-to-date samples of instruments. Its sample-collection center has become an important "window" for users all over the country, and is regarded as "a service outpost for ordering goods."

Since instruments are generally imported in small lots and the time element is essential, the China National Instrument Import and Export Corporation has taken the initiative of signing annual agreements of agency, consignments, or prices so that as soon as an order is received from the user, it can immediately place its own order with the supplier and thus avoid any delay from price disputes and save time. This practice has proved to be beneficial to both users and suppliers.

In recent years, the company also took the extraordinary step of sending inspection groups abroad in meeting the users' needs even before their orders were received. This inspection helps in the choice of models, the clarification of specifications, and the raising of funds. It is warmly welcomed by users, since it enables them to place their orders promptly instead of making detours.

In the past several years, the company also devoted a great deal of energy to post-sale service. Because of the rapid developments in science and technology, instruments have become increasingly complex and expensive, and in the case of a breakdown, sending one abroad for repair would cost a great deal of time and money, and, above all, hold up the work. Therefore, the company, in cooperation with more than 40 foreign factories, has set up various types of service stations for maintenance and repairs, and depots for the stocking and exchange of spare parts and the consignment of electronic elements, in order to provide timely service and the prompt supply of spare parts for users throughout the country. Compared with before, time consumption is now greatly reduced and this saving is much appreciated and admired by users at home and abroad.

To meet the new scientific and technological developments, the company has always organized technical exchanges, technical discussions, and sales exhibitions for the users at home and abroad in order to bring them into closer contact.

In simple terms, while the system of price adjustment [according to the domestic rather than the international market conditions] means only simple transactions between the user units and the foreign trade units, the agency system means a combination of these two parties into one and this organic combination will certainly bring prosperity to the foreign trade.

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## FOREIGN TRADE AND INVESTMENT

### ENTERPRISE VIEWS DECENTRALIZATION IN FOREIGN TRADE

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 3, 27 Mar 85 pp 48-49

[Article by Tong Weiming [4547 0251 2494]: "Some Views on Industry-Foreign Trade Combination"]

[Text] Summing up the experiments in the reform of the foreign trade structure, vice minister Zheng Tuobin [6744 2148 1755] said: "The questions of industry-foreign trade and technology-foreign trade combinations have been raised for many years, and some experiments and explorations have been conducted. However, no true solution has been found. The main cause is that decentralization in foreign trade generally means expansion of decisionmaking power for the local or departmental administrative units, or the shift of power among the administrative departments without touching on the crucial issue of decisionmaking power for the foreign trade enterprises and the production enterprises. These enterprises are still subjected to departmental and regional administrative restrictions. They have not truly become foreign trade entities and their enthusiasm cannot be fully aroused. Despite the urgent need for combination of the basic-level foreign trade enterprises, such combination cannot materialize usually because of administrative interventions from the departments and localities. In some experiments, industry-foreign trade combinations have become merely a formality and their strong points cannot be brought into play." This is indeed a realistic summation.

As a forerunner in the reform of the foreign trade structure, our Beijing Municipal Carpet Import and Export Branch Co and the Beijing Municipal Carpet Industry have carried out experiments in industry-foreign trade combination for more than 3 years. Now, the situation is as follows: 1. Though combined in name, industry and foreign trade are actually two separate entities, since the control over manpower, financial and material resources, production, supply and marketing on both sides cannot be unified. 2. The integrated company cannot become an independent economic entity. Since industry and foreign trade, representing different economic interests, are arbitrarily tied together, there are always mutual restrictions resulting in intensified contradictions between them. 3. Since the foreign trade enterprise and the production plant are deprived of their decisionmaking power, the economic results have deteriorated. 4. This stalemate has been a disappointment to the people resulting in an exodus of manpower.

We attribute this situation to the following two factors:

Irrational Shift of Power over Business Management

According to the requirements of the reform, power over business management should be shifted toward the independent economic entities, but not from one administrative department to another whereby a new combination of government administration and enterprise management is formed. In our experiment on industry-foreign trade combination, in which industry occupies the leading position, power over business operation was shifted from the general foreign trade company to the second-level industrial company. Thus the Carpet Import and Export Branch, as a foreign trade enterprise, and all the carpet factories, as production units, cannot acquire any decisionmaking power at all. The Carpet Industry Co, as a second-level company, exercises its unified control over the foreign trade company and all carpet factories with administrative means, despite their different economic interests. This action has given rise to many defects: 1. Industry and foreign trade, though outwardly combined, cannot cooperate in harmony. The factories aimed at output value and profits as indicators of their economic results, while foreign trade enterprises aimed at the volume of exports and the cost of earning foreign exchange. Their financial sources are also different (one from the central government and the other from the local government), and the difference between their economic interests caused by the different target economic results cannot be reconciled with administrative means by the integrated company. Therefore, the harder the leaders on both side try to improve their economic results, the sharper will be the contradiction between industry and foreign trade. 2. Since the overall labor and personnel power is in the hand of an integrated company representing different economic interests, neither the foreign trade enterprises nor the factories can manage their labor and personnel according to their own business conditions. A foreign trade enterprise has no manager; it has only one deputy manager and this deputy manager cannot represent the foreign enterprise's economic interests in streamlining the structure or the personnel. This seriously dampens the enthusiasm of the cadres and workers in foreign trade. 3. After the combination, foreign trade becomes a subordinate of the integrated company. The varieties of commodities to be imported or exported are restricted, and even their allocation to other provinces is hindered. The production and business operations of factories are also subject to administrative intervention from the second-level company, and the hands of both foreign trade enterprises and the factories are tied.

#### Structural Reform Not Well Coordinated, Departmental and Regional Restrictions Still Existent

Structural reform should be well coordinated. In other words, systematic methods should be used to streamline all the economic relations as a whole. In our case, however, combination means the existence of industry and foreign trade as separate systems, and there is no duly authorized organ at a higher level to exercise its overall leadership. The industry and foreign trade organs, which are separate organs at the high level, control the integrated company only perfunctorily. Whenever there are benefits, they will have disputes; whenever there are problems, they will shift the responsibility to each other. There are also incessant wranglings between the departmental and regional authorities.

From what has been pointed out, we believe that all the difficulties in the industry-foreign trade combination are mainly attributed to the ignorance of economic laws as a result of which, the companies after the reform cannot become economic entities that are truly full of vitality.

Reform of the foreign trade structure should be a source of inspiration, since it will mean the solution of our present problems. Such measures as separation of government administration from enterprise management, simplification and decentralization of administration, the system of agency in imports and exports, and the industry-foreign trade combination under conditions of voluntary participation and identical economic interests, should help revitalize both industry and foreign trade, and resolve the contradictions between them. This should be the only way to bring prosperity to industry and foreign trade. Therefore, we should quickly terminate the experiments on industry-foreign trade combination in order that the reform of the entire foreign trade structure not be impeded.

9411

CSO: 4006/617



## FOREIGN TRADE AND INVESTMENT

### OPEN-DOOR POLICY SPEEDS UP MODERNIZATION

HK050900 Guangzhou KAIFANG in Chinese No 4, 8 Apr 85 pp 5-8

[Article by Wang Chengjia [3769 2052 4471]: "Opening to the Outside World Is an Important Policy Decision for Speeding Up Socialist Modernization"]

[Text] Early this year I went to Guangdong to carry out a short-term inspection. I was very glad because I could personally witness the great achievements obtained in establishing the special zones and implementing an open-door policy. I also encountered some problems which I did not clearly understand. If we fail to understand these problems clearly, our enthusiasm and initiative for implementing an open-door policy will be directly affected. Here I would like to talk about my superficial understanding of these problems.

#### Theoretical Basis for the Open-Door Policy

The "Decision of the CPC Central Committee on Reform of the Economic Structure" points out: "Since the 3d Plenary Session of the 11th CPC Central Committee, we have taken opening to the outside world to be our long-term, basic state policy, a strategic measure for accelerating socialist modernization. Practice has already yielded marked results."

I believe that the reason the CPC Central Committee has taken opening to the outside world to be a long-term, basic policy is based on the scientific mastery of the objective law governing social economic development. This is an important policy decision made by the CPC Central Committee. "Open" is the opposite of "closed." The open-door policy is mainly implemented in the economic field in order to overcome the concept of the natural economy locking the doors against the world and becoming self-supporting. On the basis of maintaining independence and keeping the initiative in our own hands, we develop economic and trade relations with foreign countries and import foreign capital, advanced technology and management methods in accordance with the principle of equality and mutual benefit in order to speed up socialist modernization in our country and satisfy the increasing material and cultural needs of the people as early as possible.

The theoretical basis for the open-door policy implemented by socialist countries is the Marxist-Leninist theory on an international division of labor and international trade. In 1858, when Marx was working out the plan for writing his books, he intended to divide his works on economics into six volumes. The

last two volumes would be devoted to "international trade" and the "world market." Although he died before he could finish writing these two volumes, his basic ideas on these issues were reflected in the "Manifesto of the Communist Party." The book said: "The bourgeoisie has, through its exploitation of the world market, given a cosmopolitan character to production and consumption in every country.... In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, a universal interdependence of nations. With the constant enhancement of the social productive forces and rapid development of socialized mass production, the domestic market of a single nation is obviously too small. Therefore, exploitation of the world market and development of international trade is needed." ("Selected Works of Marx and Engels," Vol 1, pp 264-265) Developing international economic and trade relations is an objective requirement of the development of social productive forces of mankind, and an inexorable trend of the internationalization of production activities and exchanges.

After the victory of the October Revolution, with regard to the problem of whether a socialist country should have contact with the outside world, Lenin explicitly pointed out: "A socialist country will not survive if it fails to establish contact with the outside world. Under the present situation, it should link its survival with capitalism." ("Complete Works of Lenin," Vol 32, p 303) Moreover, he specifically proposed several ways for making use of foreign capital and advanced technology, including the pursuance of rentals, cooperation with foreign countries in establishing joint-venture enterprises, accepting foreign loans, employing foreign experts to help construction, and others.

After the founding of New China, in the 1950's, Comrade Mao Zedong raised the problem of "learning from foreign countries." In the 1960's, Comrade Zhou Enlai stressed: "We should assimilate all good experiences and technology of foreign countries and make them serve us." (Comrade Zhou Enlai's "Government Work Report" delivered at the First Session of the Third NPC, December 1964).

[HK050901] Facts since World War II have also shown that with the development of science and technology and the modernization of transportation and communications, various countries have established increasingly close economic and technical relations and promoted exchanges and cooperation. Economic development of each and every country is inseparable from its efforts to actively import foreign capital and advanced technology. One of the important reasons contributing to the success of West Germany, Japan and other developing countries and areas which have succeeded in promoting faster economic development, is that they have done well in making use of international conditions, importing foreign capital, and actively developing their economic and trade relations with foreign countries. Just as Comrade Deng Xiaoping has pointed out: "The contemporary world is an open world. In such a world, carrying out construction behind a closed door does not work. To speed up economic development, we have formulated a policy of enlivening the domestic economy and opening to the outside world." (RENMIN RIBAO, 1 July 1984) The fact that our country is implementing the open-door policy has precisely reflected this objective requirement and inexorable trend of social economic development.

## Without Opening to the Outside World, It Is Impossible to Speed Up the Progress of Economic Construction

Before the convening of the 3d Plenary Session of the 11th CPC Central Committee we did not bring up the question of implementing the open-door policy. This did not mean we preferred the policy of seclusion. There were reasons why we implemented the closed-door policy. First of all, major capitalist countries, headed by the United States, placed an embargo on us. After the Soviet Union tore up economic contracts signed with our country in the early 1960's, the Soviet Union and some East European countries reduced their economic ties with us. During the "Great Cultural Revolution," the "gang of four" set the guiding principle of self-reliance against economic and technical relations with foreign countries, slandered foreign trade as "worshiping and toadying foreign countries," and "national betrayal," and regarded the import of foreign technology as a "philosophy of servility to things foreign" and "crawling." In the meantime, they equated the guiding principle of self-reliance with a policy of seclusion and self-supporting. In such a way, we embarked on the path of blindly opposing everything foreign and isolating ourselves from the outside world.

In addition, for a long time we were ideologically influenced by the natural economy and self-supporting nature of the feudal society and small-scale peasant economy. We lacked an understanding of the active role of the relations between commodities and currency under socialist conditions. For a long time we failed to truly understand that commodity economy is an indispensable stage in the development of the human society. Under certain conditions, it is true that economically backward countries may win the victory in the proletarian revolution earlier than developed countries, and they may skip the stage of capitalism in the stages of social development. We mistakenly thought that the stage of commodity production could also be skipped. We linked commodity production with capitalism and related the production of products with socialism. Such an ideological understanding could only play a negative role in developing our country's economic and trade relations with foreign countries. Only by truly understanding that developing commodity production is a historical necessity, that commodity production in a planned way is still a main mode of socialist production, and that the planned commodity economy is still the basic characteristic of a socialist economy can we be able to promote our work with perfect assurance.

Due to the fact that we did not stress an open-door policy in the past, our country's economic and trade relations with foreign countries were not active. They were restricted to foreign trade and aid to foreign countries. We did nothing at all to make use of foreign capital. Thus, our country's economic relations with foreign countries and foreign trade developed very slowly. In 1978, the total export volume of our country only accounted for 0.75 percent of the total export volume of the world, which ranked 32d in the world.

[HK050902] The open-door policy put forward by the 3d Plenary Session of the 11th CPC Central Committee has enabled our country's economic and trade relations with foreign countries to enter a new period of development. Over the past 5 years our total export volume has doubled. In 1983, our total export

volume was \$22.2 billion, an increase of 130 percent over 1978. It accounted for 1.25 percent of the total export volume of the world and ranked 16th in the world. From 1979 to 1983, we imported 597 items of advanced technology and advanced facilities valued at \$20.7 billion, which was greater than the total amount of the past 29 years before the convening of the third plenary session. From 1979 to 1983, we made use of foreign capital valued at \$14.6 billion in various forms and established 188 Sino-foreign joint venture enterprises. Starting in 1979, we have undertaken construction projects abroad based on contracts and promoted cooperation in labor affairs. What is particularly encouraging is that we have established the four special economic zones in Shenzhen, Zhuhai, Shantou and Xiamen. Fourteen coastal cities and Hainan Island are also being opened to the outside world. This is an important step taken to further implement the open-door policy. They have become outposts of foreign trade along our coastal area. They help us give play to the strong points of the coastal area, speed up its construction, and promote the vigorous development of the construction in the whole country.

It is obvious that only by implementing the open-door policy can we speed up the progress of socialist modernization.

#### We Should Further Emancipate Our Minds in Order To Implement the Open-Door Policy

The advantages brought by the open-door policy to our country's modernization may be summarized as follows: It is beneficial to absorbing foreign capital in order to make up for the insufficiency of construction funds in our country; it is beneficial to importing advanced technology and facilities from foreign countries in order to speed up the renewal of equipment and facilities in our enterprises and the progress of technical reform; it is beneficial to learning from foreign countries' scientific management methods in order to promote the reform of economic management system in our country; it is beneficial to promptly mastering information on the international market so that we can push our products to the international market, earn more foreign exchange, buy materials and technology which our country needs, promote rapid development of domestic production, and so forth. People admit this. However, some people cast doubt upon the socialist nature of this policy.

We have explained the open-door policy in both theory and practice. Policy is a means to an end. Whether a policy is correct is determined by whether it impedes or promotes the development of productive forces. This is an important basis for determining the socialist nature of a certain policy, because the fundamental task of the socialist society is to develop productive forces. Only by rapidly developing productive forces can we faster satisfy the increasing material and cultural demand of the people and do things according to the fundamental economic law of socialism. Since implementing the open-door policy, social productive forces in our country have greatly developed and people's livelihood has markedly improved. This fact elucidates the point.

Some comrades worry about the possibility that our standpoint on developing productive forces deviates from the guiding principle of self-reliance. Actually, we implement the open-door policy on the basis of independence and



self-reliance. Self-reliance and the open-door policy are linked. We should not set them against each other. Lenin gave a definition of socialism: "We should absorb good things from foreign countries. Soviet state power plus the railway management system of Prussia plus U.S. technology and trust organizations plus the national education system of the United States, and so on, equals socialism." ("Manuscript of Lenin," Vol 3, p 94) It is obvious that we should not doubt the nature of the open-door policy because of importing advanced things from foreign countries. We should not lopsidedly determine the socialist nature of the guiding principle of self-reliance.

Some comrades think that with the implementation of the open-door policy, we encourage foreign capitalists to establish enterprises in our country and let them exploit our workers and staff members. Does this mean that we turn capitalist?

[HK050903] There is no denying the fact that we establish special economic zones and economic and technical development areas to attract foreign capital. The labor force of our country must be used to create surplus value for foreign capitalists whether we adopt the methods of processing raw materials on client demands, compensation trade, cooperative production, joint ventures, enterprises solely run by foreign capital, or so forth. If business is unprofitable, foreign capitalists will not come. We proceed from our national conditions to pursue the open-door policy because it will serve our purpose.

How should we deal with the problem of exploitation, which cannot be avoided? Lenin set a good example in answering this question. He said: "We understand the necessity of commodity exchange. Our basic interests demand that we procure from capitalist countries the means of production such as locomotives, machines, electrical equipment, and others as early as possible.... We should buy out capitalists with doubled profits. Capitalists will get their surplus profits--let them do so--we will get the essential things. With such essential things, we will be able to gain ground, and stand on our feet eventually. We will be able to defeat capitalism economically." ("Complete Works of Lenin" Vol 31, p 435)

Under the present conditions in our country, allowing a little exploitation by foreign capitalists will not change our socialist system. 1) Foreign capitalists can only carry out their activities within the scope set by our country, and are bound by our law. Their enterprises only account for a very small percentage in our economy. They are only a supplement to our socialist economy. 2) When foreign capitalists run enterprises in our country, they will naturally get some profits. However, they should pay profit taxes and remittance taxes. What we get are a large amount of funds, advanced technology, and a larger portion of profits. 3) With regard to our workers and staff members working in enterprises solely run by foreign capital, they are only employed by these enterprises. They neither lose their sovereign rights nor their political and economic status. Their wages and working conditions are not lower than the wages and working conditions of workers working in Sino-foreign joint venture enterprises. At present their wages and working conditions are slightly higher than those in the state operated enterprises.



Letting foreign capitalists run enterprises in our country will not only help us solve the problem of unemployment, but also enable us to learn advanced technology and management experience.

Some comrades equate the open-door policy with the "doctrine of the open door." This is a misunderstanding. The "doctrine of the open door" was first mentioned in the notes which the U.S. Government presented in 1899 to Great Britain, France, Germany, Japan, Italy and Russia. It was a doctrine aimed at invading China. Its main content was that the United States admitted the "sphere of influence" of various foreign powers in China. In the area covered by the "sphere of influence" of foreign powers, the United States intended to enjoy the rights and interests of free trade, a low tax rate, and all other privileges. In 1900, the U.S. Government once again presented notes to the above six governments, demanding that the "doctrine of the open door" be applied to "all areas in China." The essence of this doctrine was to open the door of China wide to all imperialist countries and let them wantonly carry out their invasion and expansion in our country. However, the open-door policy put forward by our country now is based on independence and self-reliance, and is implemented on the basis of equality and mutual interests. It is a policy aimed at making our country powerful and enriching our people. It is our party's great contribution to the Marxist-Leninist theory on economic and trade relations with foreign countries. Those comrades working in the special economic zones and economic and technical development areas whom we come into contact with have personally experienced the advantages brought about by the open-door policy. They highly praise it. Sometimes some comrades are influenced by certain incorrect understandings and views spreading in the society. What they worry about most is that the open-door policy will not be kept intact for a long time.

Opening to the outside world is our long-term basic national policy, rather than an expedient measure. It will not be changed. Comrade Deng Xiaoping pointed out: "While establishing special zones and implementing the open-door policy, our guiding thought is clear and definite. In other words, we should open wide, rather than be restrictive." In October of last year, he further expounded on the guiding thought of keeping the open-door policy intact for a long time. He said: "This policy adopted by China will not be changed in this century. It will not be changed during the first 50 years of the next century. It will be difficult to change it during the latter 50 years of the next century. At that time, China will develop closer economic and trade relations with various countries. It will be impossible to change the policy." In other words, even in 2000, after China has succeeded in realizing its socialist modernization, vigorously developing its social productive forces, greatly enhancing its scientific and technical level, and accumulating abundant funds, we will still implement the open-door policy. We will still make use of foreign capital or make investment abroad, promote technical exchanges, and expand our foreign trade. Therefore, what we should consider in our work is not whether the open-door policy will be changed. On the contrary, we should establish long-term views, give the matter further thought, work out long-term plans, and make greater contributions to the prosperity of our motherland.

24 June 1985

## FOREIGN TRADE AND INVESTMENT

## RENMIN RIBAO REVIEWS PRC-EEC TRADE RELATIONS

HK070119 Beijing RENMIN RIBAO in Chinese 5 May 85 p 6

[Article by Zhang Yunling [1728 5686 1545] of the China Western Europe Society: "Deepening Understanding, Promoting Cooperation"--Commemorating the 10th anniversary of the establishment of official relations between China and the EEC]

[Text] Ten years ago official relations were established between China and the EEC. Since then economic and trade contacts between them have been gradually strengthened through exchange of visits of leaders of the two sides and by means of a number of agreements.

When the EEC was established, the trade volume between China and its member countries was less than \$500 million, but it increased to nearly \$5.5 billion in 1984. Economic relations between the two sides have developed from simple commodity trade at first to the present economic cooperation in various forms. Cooperation in the fields of finance, technology, production and education has made marked progress. In recent years China and the EEC member nations have concluded a number of contracts or accords joint ventures, cooperation in production, compensation trade and technological transfers. The major ones included an accord concluded with the British Pierkington [4122 1422 6855 7319] Company on production of plate glass, an accord concluded with the Belgian Bell [6296 1422] Telephone Company on production of telephone equipment, and agreements reached with several companies of West Germany on supply of technical equipment to the second phase project of the Baoshan steel complex. At the same time, the EEC and its member nations have also rendered China technological assistance gratis, free money grants or loans on favorable terms, and they have done a lot to promote economic and trade development between the two sides. The preferential tariff granted by the EEC to China has created favorable conditions for China-made commodities in the EEC markets. With the increasing expansion of economic exchange and cooperation, contacts of personnel are also on the rise.

The EEC is the largest trade group in the world, its gross national product is almost the same as that of the United States. The EEC member nations lead the world in some areas of technology and equipment. China has all along attached importance to the EEC position and role in the world and made efforts to strengthen its contacts and cooperation with the community. The flexibility

shown by the EEC nations to China in supplying modern equipment, transferring advanced technology and providing technical training facilitates close economic ties between the two sides. With the development of the modernization drive in China, technical equipment imported from Western Europe to our country has increased sharply. There is still enormous potential in developing economic and trade relations between China and the EEC, but we have to make efforts to bring it into play. For example, we have to deepen mutual understanding, understand the society, culture and customs of the other side, and have a good knowledge of law, policies and regulations of the other side. While strengthening exchange of information and personnel, it is necessary to open up new avenues to expand the scale of economic cooperation in order to develop such cooperation in a steady way. It is also necessary to create conditions for expansion of bilateral trade to change the unsteady trade conditions and the imbalance in import and export. China should make continuous efforts to improve the setup, variety and quality of its exported commodities while the EEC must create better conditions for China's commodities in its markets.

In the world of today, Western Europe bordering on the Atlantic and China bordering on the Pacific should strengthen cooperation in an all-round way. This is of great importance to the economic development not only of the two sides but also of the whole world. There are bright and broad prospects for extensive cooperation between China and the EEC.

CSO: 4006/628

FOREIGN TRADE AND INVESTMENT

FOREIGN MINISTER ON TRADE, ECONOMIC RELATIONS WITH EEC

HB080443 Beijing RENMIN RIBAO in Chinese 7 May 85 p 7

[Interview with Zheng Tuobin, minister of foreign economic relations and trade, by Chen Tean [7115 3676 1344]: "Minister Zheng Tuobin Answers RENMIN RIBAO Reporters' Questions"; 6 May, place not specified]

[Text] On 6 May, Zheng Tuobin, minister of foreign economic relations and trade, pointed out to this reporter in an interview with him that the trade and economic cooperative relations between China and the EEC had been developing steadily and healthily and that the prospects for the development were gratifying.

Zheng Tuobin said that China had had established relations with the EEC for 1 decade and that this was a decade in which the economic and trade relations between the two parties had markedly developed. During the 10 years, the volume of trade between China and the EEC rose by over 100 percent and reached over \$5.6 billion in 1984. The bilateral trade has already developed from the import and export of ordinary commodities to the fields of cooperation in production, making joint investments in joint ventures, jointly offering tenders for projects, and undertaking contracts for labor service. By the end of 1984, the direct investment of the industrial and commercial enterprises of the 10 EEC countries in China totaled over \$800 million. These countries had established over 30 joint investment enterprises with China. In addition, the cooperation between the funds of China and of quite a few EEC member countries also developed relatively quickly. These countries have already provided or agreed to provide financial convenience to China on relatively preferential conditions.

Zheng Tuobin said that soon he would visit the EEC and sign, on behalf of the Chinese Government, a trade and economic cooperation agreement with the EEC. This agreement will facilitate the further development of the friendly cooperation between the two sides in various fields including industry, agriculture, science, technology, energy, communications, training of personnel and development aid.

Zheng Tuobin pointed out that the bilateral economic and trade relations had to be further developed.

At present exports from the EEC to China account for 12 percent of China's total imports; while China's exports to the EEC only account for 0.4 percent of the EEC's imports. We hope that the EEC will further heighten the competitive edge of the prices of some of its products and to a greater degree give a free hand in transferring technology to China, so as to enable a relatively sharp increase in our country's trade with the EEC as a percentage of its total volume of foreign trade. At the same time, as China has a certain potential to tap in expanding its exports, we hope that the EEC will further open its markets to China in light of the change in the situation of its trade with China, and thus enable China to raise its trade with the EEC as a percentage of its total volume of foreign trade to a proper level.

He said that China and the EEC each have their own advantages, and can exploit each other's strong points to offset their weak points. These are the material conditions for the development of economic cooperation between China and the EEC. Concerning international issues, China and the EEC have the same or similar viewpoints and there are no conflicts of interest between them. These are the favorable political conditions for the two sides to develop economic cooperation.

Zheng Tuobin concluded by stressing that we were gratified to see that Europe regards China as a force for safeguarding world peace. We have every reason to think that the development of the friendly cooperative relations between China and the EEC will surely be conducive to world peace and stability.

CSO: 4006/628



## FOREIGN TRADE AND INVESTMENT

### HAINAN COMMITTEE FORUM ON PROMOTING FOREIGN TRADE

HK130637 Haikou Hainan Island Service in Mandarin 0400 GMT 12 May 85

[Text] On 7 May, the foreign economic relations committee of Hainan district held a work forum on planning. The purport was to convey a circular of the State Council on the summary of minutes on continuing to carry out special policies and to implement flexible measures in Guangdong and Fujian Provinces. The forum also studied and worked out plans of import and export trade for the second half of this year.

The forum stressed that departments in charge of foreign economic relations must strengthen their supervision over planning, and do a good job in foreign trade.

Through the study of documents, the participants discussed problems by integrating them with the reality, thereby heightening their understanding.

They unanimously pointed out that after summing up the district's past experience in foreign economic relations, we learned that the most important point was that we neglected guidance planning and did not give play to the role of planned management. Therefore, there was a great tendency of acting blindly, and we made mistakes when handling such issues as importing cars. We must conscientiously draw lessons from the past experience, correct the guiding principle for developing and building Hainan, right our ideas guiding all fields of work, correctly implement Hainan's special policies approved by the central authorities, further enliven the district's foreign economic relations, and promote a healthy development in the undertaking of developing and building the district.

On the basis of seeking a common understanding, the forum worked out plans for import and export trade for the second half of this year. Furthermore, it emphasized the following points:

First, we must take the overall situation into consideration. First of all, we must study conscientiously the spirit of Central Document No 11 and the recent circular of the State Council on the summary of minutes. We should learn from our past experience and seek a common understanding. From now on, whenever we handle an issue or work out a plan, we must take the overall situation into consideration. We must handle well the relations between general interests and partial, local interests. Under no circumstances shall we engage in anything that undermines the general interests.

Second, we must establish a correct viewpoint. In the work of handling foreign economic relations, we must adhere to the principle stated in the Central Document No 11 that Hainan's development and building undertakings should be planned, arranged, supervised and carried out in a unified way. We must also act in connection with the eight specific policies stated in the document.

Third, we must establish the viewpoint of seeking truth from facts. Both the tentative plans and their base should depend on the work of conducting thorough investigations. We must uphold the practice of proceeding from reality. When formulating plans, we must differentiate what is primary from what is secondary. We must also pool the financial resources in an appropriate way, so as to insure the production of key construction projects and key products. We must also pay attention to maintaining a comprehensive balance, so as to improve the economic results. At the same time, we must pay attention to studying new problems developed in the course of reforming and opening to the outside. When planning, we must act in a positive and steady way, as well as guard against conservativeness and hastiness while making allowances for unforeseen circumstances.

Fourth, we must establish the concept of time. The end of this year's first half is only days away, but we have already faced the arduous tasks for this year's second half. We must mobilize the masses and arouse their fighting will. We must also oppose the dilatory style of work. Presently, we must do well in the district's import and export trade in the second half of this year, as well as establish a proper development ratio.

CSO: 4006/628

FOREIGN TRADE AND INVESTMENT

JIANGSU SEEKS FOREIGN BUSINESS COOPERATION

OW171005 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 15 May 85

[Text] With the approval of the Ministry of Foreign Economic Relations and Trade and the provincial people's government, our province will hold a large-scale economic and technical cooperation negotiation meeting in Hong Kong on 3-13 June. The meeting will be jointly sponsored by the provincial department of foreign economic relations and trade, the Jiangsu International Trust and Investment Corporation, the Nanjing branch of the Bank of China, the (Zhongshan) Company of Hong Kong, the Hong Kong Branch of the Bank of Communications and the office of JINGJI DAOBAO [ECONOMIC HERALD]. It will be the third such negotiation meeting held by our province since 1983. Invitations to the meeting have been sent to nearly 500 business firms in the world.

The meeting is expected to be Jiangsu's largest meeting on foreign economic and technical cooperation in recent years. There are 110 projects proposed for negotiation at the meeting. They involve over a dozen different fields, including textile, electronics, food-processing and other light industries as well as tourism. Of these projects, 74 will be located in Lianyungang and Nantong as well as 12 counties under the jurisdiction of Suzhou, Wuxi and Changzhou cities.

During the meeting period, negotiations with foreign business firms will be conducted in Shenzhen by a delegation from Jiangsu Province simultaneously with the negotiations to be held in Hong Kong.

In the main, cooperation will be in the form of joint ventures, cooperative production, compensatory trade, and processing of raw materials or semifinished materials supplied from abroad. Through these forms of cooperation, advanced foreign technology and equipment will be introduced into our province. This will accelerate the transformation of existing enterprises in the province and make our export products more suitable to international market requirements.

CSO: 4006/628

24 June 1985

## FOREIGN TRADE AND INVESTMENT

## GUANGDONG VICE GOVERNOR ON CREDIT FUNDS, FOREIGN EXCHANGE

HK200119 Beijing ZHONGGUO XINWEN SHE in Chinese 1433 GMT 18 May 85

[Report: "Yang Deyuan Says Credit Funds and Use of Foreign Exchange Must Be Controlled"]

[Text] Guangzhou, 18 May (ZHONGGUO XINWEN SHE)--At the presidium meeting of the third session of the Sixth Guangdong Provincial People's Congress held on 16 May, Vice Governor Yang Deyuan gave explanations on the questions raised by the delegates on controlling credit funds and the use of foreign exchange.

Yang Deyuan said that Guangdong introduced an excess of currency into circulation last year, which led to credit funds growing out of control. By conducting investigations and studies, the provincial government held that there were the following main reasons: First, the rapid growth in production. Last year the total output of the province's industry and agriculture increased by 17.7 percent. At the volume of goods increased, more money had to be issued. Second, because there existed various economic forms which were carried out by cash transactions, the people had to keep more cash on hand. Third, with the expansion of capital construction and the improvement of the people's living standard, it was necessary to issue more currency each year. Viewed from these aspects, it was normal and reasonable to issue more currency and credit funds. Both production development and reform required the issuing of more currency.

With regard to the excessive use of foreign exchange, the main reason was that we failed to make proper use of funds and to develop the production of raw materials, energy, communications, power and machine parts. For example, some localities imported a number of production lines. However, they could not manufacture the machine parts. Thus, they had to spend foreign exchange and totally rely on imports. Generally speaking, the issue of excessive credit funds and currency in Guangdong now has been promptly solved, so it will not lead to grave consequences. However, we must continue to develop key construction projects, such as the Guangzhou-Maomin railway line and the Jiujiang Bridge, because these projects have an important bearing on energy and traffic problems.

Yang Deyuan continued: This year the central authorities have allowed some localities to gradually abolish the assigned purchase system. However, some

people have mistakenly viewed the purchase contracts, saying that they would sign the contracts if they think they are suitable and refuse if they are not. This simply will not do. The Guangdong Provincial Government has called on various localities to strive to fulfill their grain purchase quotas. If the purchase contracts are not fulfilled, it will be impossible to maintain the balance of grain in the whole province, which will lead to fluctuations in grain prices. Fluctuations in grain prices will then affect the entire economic life. It is necessary to readjust the agricultural structure, but we must never relax grain production.

CSO: 4006/628



## FOREIGN TRADE AND INVESTMENT

### PRC JOURNAL SAYS SHANGHAI SHOULD ATTRACT MORE FOREIGN INVESTMENT

HK220627 Beijing CHINA DAILY in English 22 May 85 p 4

[Text] The city of Shanghai should attract more foreign investment and establish more joint ventures to accelerate economic progress, said a signed article in a recent issue of the magazine FINANCE AND TRADE ECONOMY. The outlines of the article are as follows:

As one of the country's oldest and largest industrial centers and ports, Shanghai bears the brunt of economic development, and should be turning out products emulating international standards.

Funds, high-technology and management skills are needed to rejuvenate Shanghai's old enterprises and establish new industries like electronics and biological engineering.

Though the basic principle of self-reliance should continue, advancement through foreign funds and co-operation with foreign companies is nonetheless effective and time-saving.

Shanghai has recently become more active in establishing bilateral economic relations with other countries. By the end of 1984, 27 joint ventures and 23 co-operative projects had been founded, drawing in more than 36 million in foreign currency. This has provided funds to help start new projects and renovate old ones. It also brought advanced technology and management skills.

A favourable environment for foreign investment should be offered.

Exhaustive laws and regulations are a guarantee to good international economic relations. Although laws and regulations on economic matters have been promulgated since 1979, not every area is covered, and many overseas companies are put off by the inadequate legal system.

The city of Shanghai should formulate special laws and regulations of its own, which will complement state laws.

Basic facilities--including water, power supply, telecommunications and transport--need to be improved to create a welcoming environment.

Convenience in marketing should also be offered. Overseas companies operating in Shanghai and joint ventures should be given priority in access to raw materials from the international home markets alike.

Usually, most or all of the products manufactured by joint ventures and foreign enterprises go on the international market. This earns foreign currency and expands Chinese exports. However, a portion of these products should be allowed to sell on the domestic market. One of the great attractions of China to the foreign investor is its huge home market. This market should be opened up to foreign investors and joint ventures in exchange for advanced technology.

Preferential taxation and prices should be granted to overseas businesses and joint ventures, and red tape on the Chinese side should be cut down. At present, efficiency is poor in Shanghai government bodies, and reform of their management systems is an urgent task.

CSO: 4020/229

## FOREIGN TRADE AND INVESTMENT

### YUNNAN PROVINCE UNVEILS TOURISM PROGRAM

OW231241 Beijing XINHUA in English 1157 GMT 23 May 85

[Text] Kunming, 23 May (XINHUA)—Yunnan Province is to spend 1.5 billion yuan on new airports, roads, railways, hotels and other facilities to boost tourism, Vice-Governor Dao Guodong announced today.

Provincial authorities are planning a major improvement of communications facilities during China's Seventh 5-Year Plan starting next year.

Two modern airports will be built at the popular tourist centers of Dali and Jinghong, and the province will set up its own airline. It has already ordered two Boeing 737 jetliners, and discussions are taking place aimed at opening international air routes.

Dao said the province would also electrify the Kunming-Guiyang railway, build a Guangtong-Xiaguan line and link Dali to the Chengdu-Kunming line.

The province has obtained a 5,800,000 U.S. dollar World Bank loan to build a 190-kilometer mountain road in the Xishuangbanna Dai Autonomous Prefecture, which contains large tracts of unspoiled subtropical forest.

Construction of a number of hotels will begin this year in Kunming, Shilin, Xishuangbanna, Dali, Lijiang and other tourist spots.

Near Dianchi Lake and Xishuangbanna, hotel complexes will be built in the style of ethnic minority villages. This will boost the number of tourist beds there to 6,200.

New roads and parks will be built in tourist areas, and historical buildings will be renovated.

Preparations for a 600-hectare camellia garden near Jindian are complete, and nearly 30 hectares have been planted.

In addition, village-style hotel complexes and floating pleasure centers are being built near Dianchi Lake.

The number of tourists visiting the province has increased at an annual average rate of 30 percent since 1978, the vice-governor said. In the first three months of this year, a 25-percent increase of profits gained from tourism was reported over the same period in 1984.

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## FOREIGN TRADE AND INVESTMENT

## SHANGHAI FIRM IN IMPLEMENTING OPEN-DOOR POLICY

HK240753 Beijing ZHONGGUO XINWEN SHE in Chinese 1448 GMT 23 May 85

[Report by reporter Shi Siwei: "Yang Zhenhan, Deputy Director of Shanghai Foreign Economic Relations and Trade Committee, Said That Shanghai Will Never Close Its Door Which Has Already Been Opened"]

[Text] Shanghai, 23 May (ZHONGGUO XINWEN SHE)--Yang Zhenhan, deputy director of the Shanghai Foreign Economic Relations and Trade Committee, announced today at the "21st Century Sino-Japanese Economic Discussion--Shanghai" that last year Shanghai signed a total of 372 contracts for technical imports valued at \$410 million, exceeding the total number and amount of money of the contracts on technical imports signed during 1979 to 1983. Shanghai will never again close its door which has already been opened.

Yang Zhenhan added: Last year Shanghai signed 35 contracts for Sino-foreign joint ventures, and 25 contracts for enterprises based on cooperative operation, an increase of 350 percent and 250 percent respectively over the total number of relevant contracts signed during the past 5 years. Two wholly foreign-owned enterprises were set up in Shanghai for the first time last year.

He pointed out that to attain the strategic targets for Shanghai's economic development, the industrial structure of Shanghai should be shifted to multi-functional patterns so that its industry, communications, transportation, building industry, commerce and social service undertakings will develop in a coordinated way. The present ownership system based on ownership by the whole people should be changed to an ownership system with ownership by the whole people as the main part and characterized by the coexistence of multiform economic factors including collective ownership, private ownership, Sino-foreign joint ventures, wholly foreign-owned enterprises, and so on. The economic circulation of Shanghai should be changed from the present characteristic of attaching importance to internal development to the characteristics of integrating internal and external development, and vigorously developing foreign economic relations.

Reporters have learned from the discussion that with regard to the import of foreign capital and technology, Shanghai will exert its main effort to speed up technical reform of the old enterprises including electronics, building

materials, light and textile industry, food processing industry and so on; to develop new technology such as microelectronics, optical fiber communication, laser technology, bioengineering, oceanographic engineering, new materials [xin cai liao 2450 2624 2436], robots, and so on; to develop the new areas of Minhang and Hongqiao; to build guesthouses for tourism, apartment houses, office buildings for foreign businessmen, and trade centers; to strengthen the construction of underground railways, expressways, and modern post and telecommunications; and to expand agricultural and sideline production in the suburbs.

CSO: 4006/660



FOREIGN TRADE AND INVESTMENT

GUANGDONG: LAWYERS TO BE HIRED FOR EXTERNAL CONTRACTS

HK260454 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 26 May 85

[Text] According to NANFANG RIBAO, the provincial judicial department and the Committee for Foreign Economic Relations and Trade recently issued a joint circular stipulating that lawyers must in future be engaged to take part in negotiations on major projects and the signing of agreements involving external parties. The departments of foreign economic relations and trade and enterprises with a considerable amount of external business should engage lawyers as permanent legal advisers.

The circular said: Quite a number of contracts signed by the province with external businessmen for joint ventures and cooperation have not been implemented after being signed, or else problems have cropped up in their implementation. This is usually directly linked to the fact that the contracts do not meet the legal regulations or else the legal procedures for signing the contracts are not fully observed.

The circular pointed out: It is necessary to issue the above regulation, in order to strengthen building of the legal system in external economic work, apply legal means to ensure and promote the smooth progress of external economic activities, and provide legal guarantees for foreign businessmen in accordance with the law.

CSO: 4006/660

## FOREIGN TRADE AND INVESTMENT

### XINJIANG OFFICIAL SPEAKS TO PRESS ON COOPERATION

OW272029 Beijing XINHUA in English 1855 GMT 27 May 85

[Text] Beijing, 27 May (XINHUA)--Authorities in Xinjiang will seek cooperation with overseas partners on 83 [word indistinct] this year, the autonomous region's chairman, Ismayil Amat, told a press conference here today.

They are hoping foreign funds can help them develop textiles, food-processing and other light industries, chemicals, machine-building and building materials as well as farming and tourism.

Ismayil Amat said Xinjiang was aiming for a more than fourfold rise in gross annual industrial and agricultural output value by the turn of the century.

Efforts were being stepped up to import advanced technology and equipment with the help of foreign investment, and to seek cooperation from other parts of the country.

The big north-western region had already fixed up 2,840 schemes in cooperation with other parts of China, and had used more than 100 million U.S. dollars in foreign funds to import technology and equipment.

A number of cooperative enterprises were already growing smoothly, and contracts would soon be signed on 12 more such projects, involving more than 50 million U.S. dollars.

Ismayil Amat said Xinjiang had 3,200,000 hectares of cultivated land, and another 10 million hectares of undeveloped land. The region had the second-largest grazing area in China.

Deposits of oil and natural gas were abundant, with reserves of 1.5 billion tons of oil so far verified.

The prospective reserves of coal were put at 1,600 million tons, and 110 different minerals had been discovered so far.

In addition, plentiful supplies of industrial crops, such as kenaf, cotton and sugar beet and fruit, including harmi melons, grapes and pears, were good raw materials for the textile and food-processing industries.

Ten cities in the region were served by regular airlines, and there were direct air routes from the capital, Urumqi, to Beijing, Shanghai and Guangzhou. There were also direct international air connections with Western Europe and the Middle East.

The Lanzhou-Xinjiang railway, which linked the region with other parts of China, now stretched to Korla City in southern Xinjiang, and construction of the north Xinjiang railway line began earlier this month.

To further promote economic and technical cooperation with other countries and regions, Xinjiang planned to hold an export commodities fair in Hong Kong, and to participate in the Turkish Ismil fair in August, said Ismayil Amat. And an economic, technical and trading conference would be held in Urumqi on 20 August.

"Our clients and friends from Hong Kong and Macao and other countries are welcome," he added.

CSO: 4020/235

FOREIGN TRADE AND INVESTMENT

WESTERN BUSINESSMEN NOTE BUSINESS SLUMP IN SOUTH CHINA

HK300823 Hong Kong AFP in English 0805 GMT 30 May 85

[Report by Pierre-Antoine Donnet]

[Text] Beijing, 30 May (AFP)—China's credit squeeze has triggered a business slump in south China and in the country's four special economic zones, Western businessmen said here today.

Premier Zhao Ziyang announced at a March session of the National People's Congress that credit would be more tightly controlled by the state to avoid what officials saw as spiralling credit handouts to Chinese enterprises last year.

Western businessmen and bankers told AGENCE FRANCE-PRESSE that the Bank of China (BOC) had completely reorganized its credit granting practices and tightened central control over the swelling numbers of Chinese enterprises dealing directly with foreign firms.

A spokesman of the BOC, the country's main foreign exchange bank here today denied any change in the bank's policy of decentralization and maintained that letters of credit were not being limited.

But one French businessman just returned from the southern province of Guangdong, said that three out of every four contracts under discussion between Chinese and foreign enterprises were being held up by BOC refusals to provide guarantees and open letters of credit.

A Western banker said that BOC officials in the provincial capital Guangzhou had complained bitterly that the seat of decision on all major foreign exchange transactions had been shifted back to Beijing.

The officials reportedly said that Chinese firms in the province were presently restricted to importing only spare parts needed to keep going.

In March the National People's Congress decided to put the brakes on the country's economic expansion by reining in credit and tightening control of the money supply.

Chinese authorities judged that the economy had overheated last year and into the first quarter of 1985 with the growth rate up 23.39 percent on the same period in 1984.

They reported that 2.8 billion dollars too much money had been printed and banks were too lax about doling out credit.

A Communist Party plenum in October last year had brought in sweeping economic reforms featuring marked decentralization of the economy, with enterprise managers being given much wider powers in running their ventures and in negotiating their own contracts with foreign companies.

The Western banker said that the BOC officials in Guangzhou were now particularly concerned that major purchases of foreign consumer goods mapped out early this year in order to soak up the excess money supply were being arranged centrally from Beijing.

"In the special economic zones and in south China they're clearly tightening the screws and there is also an appreciable drop in business in the rest of the country," another Western banker said.

He pointed out that the changes he outlined seemed to come just as former Foreign Trade Minister Chen Muhua was appointed head of China's main People's Bank. Mrs Chen is regarded as a tough administrator, diplomats said.

Since mid-March the People's Bank has held a much tighter rein over the issuing of money, credit policy and all Chinese financial institutions, while the BOC controls all China's foreign transactions.

The wealthy southern province of Guangdong hosts three of China's special economic zones (SEZ's), including the showpiece Shenzhen SEZ on the border with Hong Kong.

The SEZ's along with 14 coastal cities designated open to foreign investment have been earmarked to play a cardinal role in China's economic development.

According to official statistics for the first quarter of this year, Chinese imports increased by 58.4 percent on the same period in 1984 to reach about two billion dollars.

Meanwhile the country's exports slid by 0.79 percent, totaling 3.05 million dollars.

The hefty imports bill sent Beijing's foreign currency reserves plunging by 2.2 billion dollars to 14.42 billion dollars as of April 1985.

CSO: 4020/235



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## FOREIGN TRADE AND INVESTMENT

## JOURNAL REPORTS ON SOUTHERN CHINA'S TOWNSHIP BUSINESSES

HK020352 Beijing CHINA DAILY in English 1 Jun 85 p 2

[Text] Township businesses in southern China are taking advantage of their proximity to Hong Kong and Macao in the search for outside investment and technical help, according to TOWNSHIP BUSINESS JOURNAL. Township businesses in Guangdong Province's Hainan Island, for example, have signed 205 contracts valued at 53 million yuan (\$19 million) with businesses in China, Hong Kong, Macao and foreign countries.

Last year, the small businesses earned 240 million yuan (\$86 million), double the 1983 figure. The income in the first quarter of this year increased 20 percent over the same period a year ago.

A coconut processing factory and a rattan work factory were set up last year in Wenchang County, Hainan Island, using the funds raised by overseas Chinese from the county.

A joint venture lobster company was established last year between Qiongzhan County and Hong Kong, with funds and equipment provided by the Hong Kong partner. Its products will be marketed in Hong Kong and Macao.

In the Longqiao district of Qiongzhan County, businesses--including food processing and printing--produced more than 10,000 varieties of products.

In mainland Guangdong, township businesses are also accelerating overseas investments and expansion of foreign trade.

Guangdong, a coastal province near Hong Kong, has been granted special authority by the central government to adopt more flexible policies in its economic relations with Hong Kong, Macao and foreign countries. The province has issued its own set of regulations to establish a more favourable climate for foreign investment.

Last year, in Jiangmen City alone, township factories utilized more than \$60 million in overseas capital.

Bao'an, Dongwan, Nanhai, Huiyang, among other cities and counties have designated special industrial development sites equipped with transport facilities and utility hook-ups.

As a result of such efforts, township industries in Guangdong have made giant strides in recent years. More than 1,000 products made by the local factories have found their way into world markets. Exports from these factories increased 20 percent last year, earning \$200 million.

Township industries are also active in processing materials and assembling parts for overseas factories. Income from those endeavours rose 60 percent last year, earning \$200 million and employing about 250,000 people.

CSO: 4020/239

FOREIGN TRADE AND INVESTMENT

SHANGHAI SEEKS TO ATTRACT FOREIGN FUNDS, TECHNOLOGY

HK020412 Beijing CHINA DAILY in English 2 Jun 85 p 2

[Special to CHINA DAILY by Zheng Baoming]

[Text] About 60 Sino-foreign joint ventures and business partnerships were established in Shanghai last year, with total foreign investment of more than d747 million.

Last year's figures bring the total number of joint ventures and partnerships in the city to 81, and the total investment to d862 million. The city is also home to two wholly owned foreign businesses, one of them Minnesota Mining and Manufacturing (3M) of the United States.

Most of the foreign funds invested in 1984 went to modernize obsolete factories and to develop new industries. Of new industries, the service sector gobbled up about half last year's foreign investment funds.

Shanghai is not content to rest on its laurels. Efforts to attract foreign funds and technology have been accelerated in 1985.

New technology will be installed in 22 industries, including broadcasting, metallurgy, household electrical appliances, cinematography, food processing, pharmaceuticals, textiles, garments, tractors, airplanes, and machine tools.

More effort will go into promoting the growth of new industries, especially in the microelectronics field. Special stress will be placed on the development of laser technology, bio-engineering, marine engineering and industrial robots.

Shanghai will also update its municipal administration and communications including construction of harbours, railway stations, airports, cross-river tunnels, subways and telephones.

The city will place equal stress on production of food processing, dairy products, and river fish. It plans to import superior breeds of poultry and vegetables along with modern equipment for food-processing.

Building of hotels, apartments, offices and trade centers will also pick up in pace.

CSO: 4020/239

FOREIGN TRADE AND INVESTMENT

COUNTRY TO SIMPLIFY AND DECENTRALIZE FOREIGN TRADE APPARATUS

HK031245 Hong Kong AFP in English 1212 GMT 3 Jun 85

[Report by Claudia Mo]

[Excerpt] Hong Kong, 3 Jun (AFP)--China is to institute major reforms cutting red tape in its foreign trade apparatus starting this year, a top Beijing banker said here today.

Wang Deyang, vice-president of the state-run Bank of China, told an international financial conference that Beijing would simplify and decentralize its trade administration by giving more decision-making power to low-ranking officials to help expedite transaction agreements with foreign businessmen.

The Chinese banking representative, however, admitted that it would be "a long process" before China's bottom-level trade officials become experienced enough to deal directly with their foreign counterparts.

This could pose a hurdle to foreign investors eyeing the China market, according to Anthony Russell, the China area manager of the Hong Kong and Shanghai Bank, the colony's largest bank. Stressing that China was keen to attract more foreign investment, Mr Wang told the International Monetary Conference that "Beijing may consider at the end of this month lifting part of its foreign exchange restrictions (which were imposed in March).

"The restrictions have been necessary," Mr Wang said. "In the past year our (private) enterprises have been spending too much and at too fast a pace." "From now on we will try not to import so many cars, TV sets and refrigerators," he added.

Mr Wang said China would usher in an import-export agency system. "Foreign trade enterprises will provide their services on a commission basis, and the manufacturers and importers are free to choose their agents, but will assume responsibility of their profits and losses."

The Bank of China delegate also assured overseas investors that Beijing's economic "open-door" policy would be sustained, while Hong Kong Bank's Mr Russell described China as a good investment target.

CSO: 4020/239

FOREIGN TRADE AND INVESTMENT

BRIEFS

**JILIN DELEGATION VISITS Japan**--At the invitation of the Japan International Trade Promotion Association, an eight-member Jilin provincial economic and trade delegation headed by Gao Wen, secretary general of the provincial people's government, with (Liu Dechun), chairman of the provincial commission for foreign economic relations and trade, and (Li Decheng), chairman of the provincial planning and economic commission, as deputy heads, left Changchun for Japan on 5 May. Seeing them off at the railway station were Gao Dezhan, vice governor; Li Ran, deputy secretary general of the provincial government; and (Yang Peixian), vice chairman of the provincial foreign affairs office. [Changchun Jilin Provincial Service in Mandarin 1030 GMT 5 May 85 SK]

**FUJIAN INTERNATIONAL MONETARY CORPORATION**--The Fuhua Corporation, China's first provincial-level external comprehensive monetary organization, is beginning to enter the international monetary market. Currently, this corporation has established business ties with over 70 banks, negotiable securities corporations and lease corporations all over the world. The corporation can get hold of international monetary quotations and trends almost daily, thus creating favorable conditions for Fujian to largest banks having business relations with this corporation. It has also signed business cooperation agreements with 26 monetary organizations in the United States, Japan, France and Australia. [Fuzhou FUJIAN RIBAO in Chinese 5 Apr 85 p 1 OW]

**SHANGHAI DELEGATION TO OSAKA**--A 12-member Shanghai municipal delegation for economic exchange, led by Vice Mayor Zhu Zongbao, left Shanghai for Osaka, Japan on 12 May to take part in a seminar on economic exchanges between Shanghai and Osaka at the invitation of Osaka city. The delegation will also visit an exhibition of precision machines and robots in Osaka. [Text] [Shanghai City Service in Mandarin 0100 GMT 13 May 85]

**SHANDONG-JAPANESE JOINT VENTURE COMPANY**--The Qingdao Shipyard, Shandong Province, reached an agreement with the (Shanwen) Iron Industrial Corporation in Yamaguchi Prefecture, Japan, on initiating the Sino-Japanese (Qingshan) Metal Processing Corporation with joint investment. The signing ceremony was held in Jinan on 9 May. Total investment in building this corporation will be 2 million yuan, and the period of joint-venture management is tentatively fixed at 15 years. According to the agreement, the Chinese side will take up the post of chairman of the corporation's board, and the Japanese side will take up the post of general manager of the corporation. The contract



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will be formally signed this September. This corporation will mainly produce large steel building materials with an annual production capacity of 10,000 tons of steel products. Its products will be marketed domestically and exported to foreign countries. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 9 May 85 SK]

SHANGHAI FETES HONG KONG DELEGATION--The Shanghai-Hong Kong Economic Development Association hosted a banquet on 7 May to welcome the Hong Kong economic and trade delegation, led by Ms (Deng Lianru). Hu Lijiao, chairman of the Municipal People's Congress Standing Committee, attended the banquet. The 1985 Hong Kong Products Exhibition is jointly sponsored by the Hong Kong Trade Development Bureau and the Shanghai Branch of the China Council for Promotion of International Trade. The Shanghai-Hong Kong Economic Development Association is one of the co-sponsors. Mr (Tang Xiangqian), president of the joint association's Hong Kong party, is chairman of the exhibition's organization committee. [Text] [Shanghai City Service in Mandarin 0100 GMT 8 May 85]

GUANGDONG FLORA, FAUNA EXPORTS--Guangzhou, 3 May (XINHUA)--The commodity economy has boosted production of flowers, birds, fish and fodder insects for export in Guangdong Province, local authorities said here today. These traditional local exports brought the province a record U.S. \$6.46 million last year. Narcissi and Gladioli, potted miniature landscapes, pet birds, and fish went to Hong Kong, Macao, Southeast Asia and Western Europe. Grasshoppers alone, pests to the farmer but lunch to the cagebird, bring in U.S. \$1 million a year. The elegant Lingnan potted miniature landscapes, winners of three gold medals in international flower exhibitions in 1979, have found their way to Japan and Western Europe besides Hong Kong and Macao. [Text] [Beijing XINHUA in English 0819 GMT 3 May 85 OW]

GUANGDONG BEER PRODUCTION--Guangzhou, 8 May (XINHUA)--Output of beer in Guangdong Province has increased 13 times since 1978, and annual production is now over 93 million litres, according to an announcement today by local authorities. Twelve new breweries have been built over the past 6 years with locally-raised funds, bank loans and foreign capital. Another two breweries, each with a production capacity of 50 million litres yearly, are under construction. They are being financed with foreign investment. [Text] [Beijing XINHUA in English 1239 GMT 8 May 85 OW]

SHENZHEN POWER PLANT--Shenzhen--An agreement to build a 700,000 kilowatt coal-fire power plant--the largest in Guangzhou and the first to be owned and operated solely by the city--was signed recently. Signatories were the Guangzhou Power Development Corporation and China-American International Engineering Incorporated. The plant, scheduled to go into full operation by 1989, is designed to alleviate severe power shortages hampering the city's growth. The agreement was signed in the Shenzhen Special Economic Zone. It was coupled with a separate agreement between the city and the Ministry of Coal for supply of fuel to the plant. The signing coincided with the formal establishment of China American International Engineering Incorporated. Partners in the joint engineering venture are the China National Coal Development Corporation based in Shenzhen and International Bechtel Incorporated of the United States. China National Development Corporation handled import-export volume of \$359 million in 1984. The joint venture is beginning feasibility studies on other projects, including an open-pit coal mine in Inner Mongolia, a coal gasification project in Shanghai and an international building in Beijing. [By staff reporter] [Text] [Beijing CHINA DAILY in English 21 May 85 p 2 HK]

PRC-HONG KONG INTERNATIONAL FOOD VENTURE--Guangzhou, 25 May (XINHUA)--An international food company--a Guangdong-Hong Kong joint venture--opened here today. It will supply foreign and Chinese customers with meat, vegetables, fruit, drinks and condiments. It will also run a center to provide technical consultancy and training services. Foreign technology, equipment and managerial expertise will be brought in to process raw materials from Guangdong. The new company will be run jointly for 30 years by the Guangdong Food Industry Technical Development Corporation and the Hong Kong (Guangdong) Dairy Farm Ice and Cold Storage Co. Ltd. The latter has branches all over the world. Total investment will be 50 million yuan, with the Guangdong partner contributing 30 percent and the Hong Kong partner the rest. [Text] [Beijing XINHUA in English 0657 GMT 25 May 85]

SINGAPORE BANK'S BEIJING OFFICE--Beijing, 30 May (XINHUA)--Wee Cho Yaw, chairman of the United Overseas Bank Group, one of the top four in Singapore, held a reception here today to mark the opening of his bank's Beijing office. In his speech, Wee highly praised China's open door policy and modernization drive. He expected that the establishment of the office would provide more opportunities for businessmen of the two countries. Speaking at the reception, Acting President of Bank of China Zhao Bingde expressed the hope that trade between China and Singapore would be further developed. About 400 people from financial and trade circles were present on the occasion. [Text] [Beijing XINHUA in English 1516 GMT 30 May 85]

WORLD BANK LOANS--Beijing, 24 May (XINHUA)--The Chinese Government has affirmed all the loans being extended to the country by the World Bank this year, the PEOPLE'S DAILY reports today. The loans--U.S.\$659 million with interest and U.S.\$443 million interest-free--are to be used for 12 major projects in agriculture, education, power and coal development, and communications. [Text] [Beijing XINHUA in English 1459 GMT 24 May 85]

SHANGHAI EXPORT BUSINESS--The volume of business for Shanghai's export commodities during the just-concluded 1985 Spring Trade Fair in Guangzhou increased by 100 percent over the planned target. This year, the Shanghai Municipal Government has adopted several measures to encourage exports, including awarding enterprises exceeding quotas in their export commodity output. During the first 4 months of this year, Shanghai's export of tea, handicrafts, chemical products, cultural and sports goods was significantly higher than in the same period last year. Of the increase, tea exports increased 27 percent, chemical products 44 percent. [Text] [Beijing Domestic Service in Mandarin 1600 GMT 16 May 85 OW]

LIAONING GARMENT EXPORT--Liaoning Province has increased its export volume of garments year after year. The province increased its total amount of money of exported garments from 12 million U.S. in 1979 to 81 million U.S. in 1984 and upgraded its proportion of the total national sum of exported garments from 3.8 percent in the past to 10 percent in 1984. [Excerpts] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 26 May 85 SK]

SPECIAL ECONOMIC ZONES

HONORS BESTOWED ON OVERSEAS-INVESTMENT FIRMS

OW181652 Beijing XINHUA in English 1518 GMT 18 May 85

[Text] Shenzhen, 18 May (XINHUA)—Thirteen Shenzhen businesses using Hong Kong, Macao or foreign capital have become the first in China to win the honor of "model unit."

The people's government of Shenzhen special economic zone has issued certificates bearing this title to 10 joint ventures, two co-production enterprises and an independent Hong Kong firm producing household appliances in the zone.

A local official said that only enterprises achieving exceedingly good results were entitled to the title.

One taxi company, a joint venture between the zone's transport authorities and a Hong Kong firm, was commended for having multiplied its profits since 1979 by taking "bold steps" to improve management, the official said.

Its joint-venture contract, which ends this year, has been extended for another 10 years at the request of the Hong Kong partner, who has invested another 12.4 million Hong Kong dollars.

Zhang Shijin, general manager of the Hong Kong Luks Industrial Company, in the Shekou industrial area, was named a "model worker, special class," by the local government.

The Luks Company, also commended as a model unit, produces color TV sets and other appliances.

The local official said: "Zhang is probably the first Hong Kong employee to receive such a title of honor from authorities on China's mainland."

CSO: 4020/235

## SPECIAL ECONOMIC ZONES

### SHENZHEN RELIES ON LAW IN SETTLING PROBLEMS

OW080935 Beijing XINHUA Domestic Service in Chinese 0155 GMT 7 May 85

[By reporter Sun Benrao]

[Excerpt] Shenzhen, 7 May (XINHUA)--Following economic take-off, new problems, new contradictions and new disputes have increased conspicuously in Shenzhen. What should we mainly rely on in solving these new problems?

The answer given by cadres in Shenzhen is simple and straightforward: We should rely mainly on law instead of on leadership in making the final decision.

Speaking to this reporter about the new changes in Shenzhen in doing things in accordance with law, Zhang Linghan, section chief of the Shenzhen city legal office, said: Administering the economy in accordance with law may not be as spectacular as the high-rise buildings in Shenzhen, but it is causing profound changes in the people's thinking. For a long time we relied on administrative measures and leadership decisions in managing the economy. As a result, some people said "officeholders" are more authoritative than the law.

"We must insist that law is more authoritative than 'officeholders' in managing the economy in accordance with law." Zhang Linghan said: "Shenzhen city's leadership has set exactly this demand on itself."

He illustrated this point by citing the following example. A visiting businessman who had contracted for a construction project in Shenzhen refused to pay construction tax in violation of the contract. The city tax bureau had no choice but to sue him in court. Repeated efforts at education and mediation failed to achieve a settlement and the court could not but begin trial on the case. The visiting businessman wrote to the city leadership in the hope that it would intervene. The city leadership earnestly reexamined the case and found the court decision fair and lawful. It then clearly stated: The city leadership has no authority to overrule the court decision and things must be done in accordance with state law. The businessman could not but pay the tax in accordance with law.

"We must understand the law in order to abide by the law; legal illiterates cannot manage the economy well." This is the conclusion drawn by Shenzhen's leading cadres from practice. Some cadres who have had some disastrous

experience said that due to our lack of knowledge of some laws and regulations, we often unwittingly violate the law in doing business with foreigners or among ourselves. This not only affects the introduction of foreign capital but also infringes upon the sovereignty and economic interests of the state. Because of inadequate legal knowledge on our part, we signed a defective contract with a foreign businessman for a joint-venture project for assembling cars. As a result, our side suffered a loss of 40,000 Hong Kong dollars per month, the technology imported was just so-so, and we had no choice but to terminate the contract ahead of time.

Good practice of drawing a lesson from experience and earnestly studying, mastering and strictly enforcing law can be found everywhere in Shenzhen.

CSO: 4006/628



## SPECIAL ECONOMIC ZONES

### NANFANG RIBAO COMMENTS ON SHENZHEN INDUSTRIAL CONSTRUCTION

HK150827 Guangzhou NANFANG RIBAO in Chinese 8 May 85 p 1

[Commentator's article: "Broad Road for Industrial Construction in the Shenzhen Special Economic Zone"]

[Text] From now on, the Shenzhen Special Economic Zone will give priority to the development of export-oriented industries and will change all its inland-oriented industries into export-oriented ones. This is a correct orientation and main road for the industrial construction of the Shenzhen Special Economic Zone.

Economically, only when we change all inland-oriented industries of the special economic zone into export-oriented ones will we be able to earn money on world markets instead of earning money from the interior. Meanwhile, the special zone should vigorously promote tourism so as to earn more and more foreign exchange through its "attractive scenery." In this way the special zone will be able to earn a large amount of foreign exchange for the state. As long as qualitative changes take place in this field, the economy of the special zone will become more lively and more and more foreign exchange will flood in. If this is achieved, the special economic zone will be able to import whatever it needs and to give rein to its economic development.

Do we want to make the special economic zone become a door for technology, a door for knowledge, a door for management methods, and a door for our open-door policy? To attain this mainly depends on changing the inland-oriented industries of the zone into export-oriented ones.

In order to build more export-oriented industries and make our products hold their ground on world markets and become more competitive, we should have more advanced or fairly advanced equipment, have more technical personnel who have modern scientific knowledge, and have a contingent of workers with high quality technical skills, and we should adopt modern management methods. As a matter of fact, the Shenzhen Special Economic Zone has many favorable conditions in these respects and has laid a solid foundation. However, generally speaking, considerable gaps still exist. When we acknowledge these gaps, we will be able to work at a fast pace. This is a good thing because it can impel the people of the special economic zone to make full use of their advantages and develop a spirit of making sacrifices so as to perform great feats for the socialist modernization of the motherland.

The four "doors" of the special economic zone are interrelated and cannot be separated. As long as the special economic zone can actually give full play to its three "doors" of absorbing technology, knowledge and management methods, as long as it can give rein to its economy, and as long as its people can raise their consciousness through the building of socialist spiritual civilization, it will certainly display the great vitality of the party's open-door policy and radiate its powerful influences to the vast areas of the interior. More and more foreign friends will come to believe that China's open-door policy is a real success. This will greatly help the special economic zone to work as a "door" for the open-door policy.

We hope that the Shenzhen Special Economic Zone will add to its achievements and overcome shortcomings, do still better, and advance triumphantly along the correct path.

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LABOR AND WAGES

XIANG NAN ADDRESSES FUJIAN TRADE UNION CONGRESS

OW010440 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 29 May 85

[Excerpts] The seventh congress of the Fujian Provincial Trade Union Council ceremoniously opened in Fuzhou this morning. Zhang Yumin, member of the Standing Committee of the provincial CPC committee, attended and addressed the meeting.

Comrade Xiang Nan attended and addressed the meeting. He said: Fujian workers have glorious revolutionary traditions. Fujian people took part in both the Huanghuagang uprising and the February 7th strike in Wuhan. Martyr Lin Juemin was a prominent figure among the 72 martyrs of Huanghuagang while Martyr Lin Xiangxian was a leader of the February 7th strike. This demonstrates that Fujian's working class and people are heroic revolutionaries.

Comrade Xiang Nan said: The most important task before us is to quadruple our agricultural and industrial output value and accomplish the four modernizations. Fujian workers should carry forward their revolutionary traditions and perform an outstanding service in reforming our economic structure, opening Fujian to the outside world, enlivening its economy, and making technological progress.

He concluded his speech by asking the delegates to further study and discuss ways for Fujian workers to play an active role in fundamentally improving party style, Fujian's financial conditions, and the general mood of the society; to study and discuss ways to educate workers in idealism, morality, and discipline and to enable them, through ideological-political work, to correctly handle the relationship between the state, collective, and individual; and to study and discuss ways to vigorously promote education, science, and technology to ensure that Fujian stands in the forefront of the nation's four modernizations.

On behalf of the sixth executive committee of the provincial trade union council, Lin Shaoqing delivered a work report, entitled: "Bring Into Full Play the Role of the Working Class as the Main Force, Strive to Ensure That Fujian Stands in the Forefront of the Four Modernizations."

CSO: 4006/657

LABOR AND WAGES

BRIEFS

HANGZHOU TRADE UNIONS COMMENDED--Hao Jianxiu, alternate member of the Secretariat of the CPC Central Committee, commended grassroot-level trade unions of Hangzhou's silk, textile, and machinery departments for providing good services for women workers at a recent national meeting on the work of trade unions concerning women workers. These grassroot-level trade unions have sponsored various services for women workers, including sewing and mending clothes and organizing activities for preschool children. [Excerpt] [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 26 May 85]

CSO: 4006/657

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

JOURNAL ON EASTERN EUROPE'S ECONOMIC SITUATION

HK130808 Beijing SHIJIE ZHISHI in Chinese No 9, 1 May 85 p 14

[Article by Su Zongyan [5685 1350 1693]: "The Present Economic Situation in Eastern Europe"]

[Text] In 1984, the economies of the East European countries developed smoothly, the peoples of these countries made some encouraging achievements in socialist construction, their national economies developed in a coordinated manner, the increase in their national income ranged from 3 to 7.7 percent, and the growth rates of the national income of the majority of these countries were higher than those in 1983. The increase in their national income was largely, or even exclusively, a result of the efforts made by them to raise productivity.

These countries rather satisfactorily fulfilled their industrial production plans. The industrial output value of the GDR, Czechoslovakia, Hungary, Poland and Yugoslavia topped the quotas in their plans and the growth rates of their industry ranged from 3 to 7 percent. Thanks to the favorable climatic conditions and their adoption of effective agricultural measures, many East European countries reaped bumper harvests. Poland, the GDR, Romania, Hungary and Czechoslovakia hit an all-time high in grain production and animal husbandry developed in most of them.

Foreign trade developed rather rapidly, there was a favorable balance of payments, their foreign exchange reserves increased, and they could afford to make larger foreign payments. With the exception of Poland, they owed the West less money. International financial organizations had greater confidence in Eastern Europe's future economic development. As a result of the bumper harvests, there was a more abundant supply of products in the markets and living standards improved.

Because of the differences in their economic conditions and practices, the patterns of the economic development of the East European countries differed. Among them, Romania and Yugoslavia rather effectively restructured their economies in order to stabilize them and to surmount the transient difficulties arising from economic development. Their economies gradually became balanced and production grew. Last year, Romania's national income increased by 7.7 percent and its industrial production grew by 7 percent. In the same year,



Yugoslavia's industrial production grew by 5.5 percent and its industrial production plan was overfulfilled. The two countries exports increased and their foreign debts decreased. The economies of the GDR and Bulgaria developed rather steadily. The year 1984 was the GDR's "most successful" year since its founding. The part of its national income derived from production increased by 5.5 percent and many of the national economic figures were the highest in its history. Bulgaria's national income increased by 4.6 percent, thus exceeding the 3.7 percent annual growth rate prescribed by its Eighth 5-Year Plan. With the exception of the quota for industrial output, all the national economic quotas were overfulfilled.

Poland's circumstances were quite special. In the early 1980's, upheavals in the country led to a sharp decline in production. In order to brake the rapid decline of its economy, the Polish Government adopted a series of emergency measures and executed with success a 1983-85 Economic Recovery Plan. Its national economy has been lifted from the abyss of difficulties and it is now gradually and steadily on the rise. In 1984, its industrial output value increased by 5.3 percent, topping the quota in its plan. In agriculture, it reaped bumper harvests in 3 successive years. Last year and the year before last were the first 2 successive years in which Poland's national income had increased since its economic difficulties began. However, it was still smaller than that in 1979. It owed the West more debts, which totaled more than \$28 billion. Czechoslovakia and Hungary basically managed to put an end to their economic stagnancy in previous years and their growth rates went up somewhat in 1984.

[HK130809] In the late 1970's and early 1980's, because of the deterioration of external economic conditions and some domestic problems, the East European countries met with difficulties in varying degrees in the course of their economic development and their growth rates dropped. Thanks to their readjustment efforts, they have recovered, or are recovering, their strength, with which they develop their economies. That they could have managed to achieve this can be accounted for in terms of the joint efforts arduously made by the peoples of these countries under the leadership of their parties and governments. The following factors have also contributed to this:

First, these countries have enthusiastically applied the principle of intensive national economic development, practiced economy and used substitutes in energy consumption, strove to replace imported raw materials with locally produced raw materials, vigorously cut the consumption of energy and materials in production, stressed the need to improve the quality of products and economic results, raised labor productivity mainly by relying on science and technology, paid close attention to renewal of equipment and technical transformation, increased investment in the development of science and technology, and developed production by applying scientific and technological achievements. Second, those countries with serious economic difficulties in recent years have, by readjusting their economies, reduced their accumulations and their investment in capital construction, slowed down development, restructured their industry in order to adapt it to the changes in external economic conditions, speeded up agricultural development, vigorously expanded exports, and strictly controlled and reduced imports. These measures have effectively

helped them restore their economic balance and give impetus to the coordinated development of their economies. And third, the East European countries are still reforming their economic structures. Their reforms differ in form and characteristics. For example, in April, last year, a plenary session of the Hungarian Socialist Workers Party MSZMP Central Committee decided to further perfect the country's economic structure and to empower the enterprises to make their own decisions and take initiative more freely in addition to calling for the strengthening of the central planning system. Apart from this, it also decided to strengthen market regulation with some reservations, to insure that the industrial enterprises can assume sole responsibilities for their own profits and losses, and to popularize the organization of "working teams" and the system of contracted responsibilities. Poland has been carrying out extensive economic reforms for 3 years. It simultaneously summarizes its experiences and revises its measures in the course of practice. It sticks to the goal of eventually enabling the enterprises "to make their own decisions, to be autonomous, and to be responsible for their own profits and losses." These reforms have had some positive effects on their economic development.

At present, the economies of the East European countries are still not free from difficulties and problems and these difficulties and problems are quite serious in some of these countries. For example, they generally feel a shortage of raw materials and energy resources and most of them find it necessary to improve the quality of their products in order to enhance their competitive power in the international market. In order to temporarily alleviate their difficulties, some countries have resorted to reductions in their investment in capital construction and their imports. Prolonged practice of this may have adverse effects on the part played by scientific and technological advances in their national economy. In some countries, goods are in short supply in their domestic markets, prices go up, and there are high inflation rates.

This year is the last year of the East European countries current 5-year plans (a 3-year plan in the case of Poland). Their economic conditions this year will affect the overall fulfillment of their plans and the ways in which they set their starting points and create conditions for the fulfillment of their next 5-year plans. Thus, this year has some special significance. Most of them have rather cautiously laid down their 1985 economic plans. Generally speaking, most of the major economic targets set are either less ambitious than or on a par with those actually fulfilled in 1984. They expect the growth rates of their national income to be between something more than 2 percent and something less than 5 percent, the growth rates of their industrial production to be between 3 percent and something less than 6 percent, and the growth rates of their agricultural production to be lower than or equal to the 1984 growth rates. Romania expects its national income and its industrial output value to increase by 10 percent and 7.5 percent, respectively, which are slightly higher than those in 1984.

Although the economic targets set by the East European countries for this year are not very ambitious, they are rather realistic. It is very likely that they can overfulfill them if they work hard. In this way, they can provide solid bases for their next 5-year plans, encourage their peoples to advance, and more effectively maintain political stability.

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

ARTICLE VIEWS EAST EUROPEAN NATIONS' ECONOMIES

OW031420 Beijing Domestic Service in Mandarin 1150 GMT 2 May 85

[Report on article by (Xing Zhongyan), carried by SHIJIE ZHISHI, issue No 9, published on 1 May, introducing East European countries' present economic situation]

[Excerpts] The article says: Nineteen eighty-four was a year of smooth development for the economies of East European countries. The people of all East European countries achieved encouraging results in socialist construction. Their national economies developed in a coordinated manner, and the increase in their citizens' incomes was widespread, with rates increasing between 3 and 7.7 percent. The increased rates of citizens' incomes in most of these countries surpassed 1983.

The increase in citizens' incomes was due to the increase in labor productivity. The industrial production plans of East European countries were relatively better fulfilled. The industrial output values of the GDR, Czechoslovakia, Hungary, Poland, Yugoslavia and other countries all surpassed the norms set in the plan. Their industrial growth rates ranged between 3 and 7 percent.

East European countries reaped bumper harvests, thanks to favorable weather and effective agricultural measures. In cereal output, Poland, the GDR, Romania, Hungary, Czechoslovakia and other countries all set all-time records. Most of these countries also made progress in animal husbandry. As a result, commodity supply improved; actual incomes increased; and living standards improved.

Of course, because of differences in economic conditions and economic practices, the economic development situations of East European countries are not the same. Romania and Yugoslavia enjoy stable economies. They have achieved good results in readjusting their economies to overcome temporary difficulties in economic development. They have gradually improved their economic balance and increased production.

From the end of the 1970's through the beginning of the 1980's, because of the worsening of economic conditions abroad and certain reasons at home, East European countries were beset with difficulties and their economic development

slowed. After readjustment, they have restored or are restoring the vitality for economic development. Are they able to do this? In addition to the decisive fact that the people of these countries have united and worked hard under the leadership of the parties and government, other reasons include:

First, these countries have actively implemented the policy of practicing thrift in the national economy. They have begun to economize and use substitute energy resources. They have worked hard to develop native raw materials to replace imported raw materials, greatly reduced energy and raw material consumption, and stressed the improvement of quality and increase of economic results. They have also used science and technology to raise productivity, paid great attention to revamping equipment and transforming techniques, increased investment in science and technology, and adopted scientific and technological achievements to promote the development of production.

Second, those countries which faced greater economic difficulties in the past several years adopted economic readjustment measures including reducing accumulations, curtailing investments for capital construction, reducing the speed of development and changing the industrial structure.

Third, East European countries have all reformed their economic structures with different characteristics and in different forms. For instance, the Hungarian party Central Committee plenum held in April last year adopted the decision to further perfect the economic structure and call for expanding an enterprise's decision power and strengthening market regulation within certain limits.

At present, East European countries still face various degrees of economic difficulties and problems. Some countries have greater difficulties. For example, they all feel the shortage of raw material and energy resources. Most of the countries are facing the task of improving product quality for better sales on the international market.

This is the last year of the East European countries' current 5-year plan. Most of the East European countries have prudently drawn up the 1985 economic plan. The increase rates of all principal economic targets are generally higher than or the same as the increase rates actually reached in 1984. Though the economic targets of East European countries this year are not high, they still are realistic. It is possible for these countries to fulfill or overfulfill them after they make efforts. This will be a solid economic foundation for the next 5-year plan. This is also helpful for strengthening the confidence of the people of these countries and for maintaining political stability.

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24 June 1985

## CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

## SHIJIE JINGJI DAobao VIEWS SOVIET ECONOMIC REFORMS

HK230304 Shanghai SHIJIE JINGJI DAobao in Chinese 6 May 85 p 3

[Report by Shi L. 3 [2457 3781]: "The Next 5 Years Will Be Important Ones for Reform of the Economic Structure in the USSR"]

[Text] In his speech to a plenary session of the CPSU Central Committee, General Secretary Gorbachev fully affirmed the achievements of the ongoing large-scale economic reforms, but he also pointed out that "the results are not completely satisfying" and called for "shifting the economic reform experiments to the establishment of an integrated economic management system."

In his speech, Gorbachev said that the development of Soviet society, to a decisive degree, depends on the qualitative progress of its economy, and the intensiveness of economic development and the all-round enhancement of economic efficiency will greatly speed up social progress. There is no other alternative to achieving this purpose. Therefore, major measures must be resolutely formulated and put into practice in the economic field, and attention should be focused on the intensive development of the economy and on rapid technological progress. "No matter what issues are to be studied and what methods to be adopted in handling the economy, all things will eventually lead to a single point--to seriously improve management and the entire economic mechanisms." In particular, efforts must be made to extricate "economic development from the difficult position caused by the imperfectness of the management system, tedious regulations, and red tape." The only way out is to immediately adopt some effective measures to set up a sound management system. As far as reform of the economic mechanisms is concerned, "while the principle of centralism continues to be carried out in the handling of strategic tasks, it is necessary to advance more boldly along the course of giving greater decisionmaking power and independence to the enterprises and conducting business accounting in the enterprises so as to arouse a higher sense of responsibility and concern of the working collectives for their work results." This shows that Gorbachev has a clearer intention of carrying out economic reform in an all-round way.

Twenty years have passed since the Soviet Union began its first round of economic reform in 1965. Most Western experts hold that over the past 20 years, economic reform in the Soviet Union has advanced very slowly and has achieved no marked results.



As soon as Gorbachev assumed the position of general secretary, he began to take economic reform as the primary task for the party and pointed out that economic reform is to promote the intensive development of the Soviet economy and to speed up technological progress and that economic reform is the sole way to ensure economic development at a high speed. Thus, he will go all out to promote economic reform. Beginning in 1986, the Soviet Union will spread the experimental reform measures in an all-round way. Economic reform will become an important part of the 12th 5-Year Plan of the country. That is to say, the next 5 years will be of decisive importance for the Soviet Union's economic reform.

In addition, Gorbachev also stressed that major breakthroughs should be made in economic reform. In the speech to the above-mentioned plenary session of the CPSU Central Committee, he pointed out that planning work should first be reformed. He said: Planning work should act as an active lever for promoting intensive production and for adopting advanced economic solutions and should ensure the balanced and rapid development of the economy. For this reason, superfluous targets and norms in the plans for the enterprises should be cancelled. Second, the organizational structure for management should be improved. Redundant links should be removed; organizations should be streamlined; efficiency should be raised; and the number of instructions, regulations, and work orders should be limited so as to make the enterprises more independent in their operations. Third, it is necessary to give more authority to local governments in organizing production, utilizing local resources, and offering better services to local residents. Fourth, more concrete and effective measures should be adopted to eliminate egalitarianism in distribution and to ensure that direct incomes of individuals and collectives are directly linked to their work results. Fifth, the price system should be made more flexible. Efforts should also be made to improve product quality and enrich product variety so as to better meet the demands for industrial goods and services.

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HONG KONG MEDIA ON CHINA

HONG KONG BUSINESSMEN ON PRC FOREIGN EXCHANGE RULES, TRADE

HK230625 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement)  
in English 23 May 85 p 1

[Article by Suzanne Sim]

[Text] Several Hong Kong businessmen believe Peking will lift restrictions on free use of foreign currency by its trading groups by the end of next month after completing a study of the exchange situation.

Hong Kong traders have found it difficult to clinch deals in China after the currency curbs were imposed earlier this year. According to some traders, China also seems to have "frozen" new deals, which has led to difficulties in renewing expired contracts in the past few months.

Sources said Peking has undertaken a study of the exchange situation.

A China trader, Mr Y.S. Liu, said the restrictions were imposed at the beginning of the year when China realised that foreign currency reserves were dwindling and units with foreign trade links had heavily overspent.

While China had widely publicised the fact that it was enforcing stricter controls on its foreign exchange spending, the "freeze" on new deals seems to have been imposed quietly.

Mr Liu told BUSINESS NEWS the study, which began in northern China, has been extended to the south and is expected to be completed next month.

Meanwhile, traders are frustrated that almost no contracts can be signed for the time being, Mr Liu said.

Although the "freeze" may be substantially eased once the study is finished, Chinese enterprises could still be faced with a smaller pool of foreign reserves and forced to be more prudent in their spending habits.

The government has recalled nearly 50 percent of the total foreign exchange allocated to various trade enterprises for the year. Units with foreign exchange earnings are usually allotted about 10 to 30 percent of their earnings, depending on the nature of their business.

Municipal and provincial governments are also affected by the recall. Analysts said the foreign exchange rules now causing problems have existed for years, but previously were not strictly enforced. Some said strict enforcement would continue even after the "freeze" on spending and new commitments is eased or lifted.

Manufacturing and trading units would have less money to spend, and traders would still have to face a tough selection process.

Only essential products, such as high technology items, would get easy approval, while consumer products, such as televisions and refrigerators, would get low priority.

Some provinces and the special economic zones, which enjoyed preferential treatment to the extent that they did not have to surrender any of their foreign exchange earnings to the central government, may have to do so. These areas are likely to be found to have indulged in overspending and encouraged black market dealings.

Other analysts, however, believe the foreign exchange laws will be relaxed during or after summer. They said "stops and starts" have been characteristic of China's economic reforms.

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24 June 1985

HONG KONG MEDIA ON CHINA

PAPER ON POSSIBLE END TO INSURANCE MONOPOLY IN PRC

HK230627 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)  
in English 23 May 85 p 3

[Article by Paul Baran]

[Text] Reorganisation of China's domestic insurance industry could end the monopoly of the People's Insurance Co of China (PICC), insurance sources said yesterday. They said Peking's changed attitude towards its domestic industry could mean the birth of a new breed of insurance companies underwriting specialised business in the 14 coastal cities open to foreign investment.

Several delegates at a China insurance seminar told BUSINESS NEWS the country's insurance industry appears ready for the same sort of upheaval experienced by the aviation industry, which resulted in the Civil Aviation Administration of China's monopoly being broken up into smaller, regional carriers.

Peking announced a set of rules on 1 April aimed at regulating its domestic industry. Since then, PICC officials said further changes allowing foreign insurance companies to underwrite coverage in the special economic zones are being considered. But any move towards ending PICC's monopoly would not necessarily mean an improvement for the local industry, some sources said.

Citing the example of CAAC, whose centrally-planned management was slow to respond to new trends in the industry, the sources suggested the blame for poor management "could wind up just being spread around."

PICC wrote about U.S.\$650 million worth of business in 1982 and forecasts gross income of \$2.5 billion in 1990.

Until last year, the 2,100-branch PICC was controlled by the Bank of China, but has now been upgraded to parallel status and is answerable to the People's Bank of China.

At the seminar, organised by BR and S International, delegates were led through the myriad insurance problems foreign companies face when entering into joint ventures or other business arrangements in China.

According to the deputy general manager of the Ming An Insurance Co (HK) Ltd, Mr K.C. Yang, PICC now offers a wide range of standard coverage, but lacks expertise in other areas. And as technology transfers between outside firms and China grow, Mr Yang said, PICC must match the move upmarket.

Isolation is another problem, he said. "China needs more information from the outside world," he said. "It is not able to feel the mood at all times."

Although PICC has limited risk assessment experience, links with outside reinsurance partners are helping, he said.

Ming An, 50 percent owned by PICC, is the only non-China insurance company now providing coverage in the Shenzhen special economic zone. According to the U.S. manager of China America Insurance Co Ltd (CAIC), Mr D.C. Chan, China's new patent laws will fuel a boom in coverage on high-technology transfers. The new laws, Mr Chan said, mean foreign firms will no longer be reluctant to share technology with Chinese partners because their patent can be registered.

CAIC is a joint venture between PICC and the American Insurance Co. Calling China "an unknown market," Mr Chan said PICC has only recently gained the confidence of foreign firms. "In the 20-year span from 1958 to 1979," he said, "there was no foreign insurance business in China." Part of that gap, he explained, was due to the cultural revolution.

A senior partner with the American law firm Graham and James, Ms Mary Faith Higgins, warned potential investors in China the road to happy business deals is riddled with problems. Ms Higgins said the snags posed by China's "quasi-civil law system" are often exacerbated by its lack of sophistication in joint venture contracts and other issues, such as language differences. For any contract to be successful, she said, "two people must agree the contract means the same thing."

China, Ms Higgins said, is the only country that has a joint venture law without a comprehensive law on contracts or a liability. "What they do have is sometimes repudiated," she said.

Most PICC policies also stipulate that Chinese law applies, a condition that may pose problems if a policy holder wishes to seek recourse through foreign courts, she said.

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24 June 1985

## HONG KONG MEDIA ON CHINA

## PAPER CITES PRC STUDY ON SEZ CURRENCIES

HK240739 Hong Kong SOUTH CHINA MORNING POST in English 24 May 85 p 10

[From the "South China Beat" column by Albert Chan: "New Money Is Investor's Lure"]

[Text] Launching a SEZ [Special Economic Zone] currency and a second border around a tax-free zone are two key plans to bolster foreign investment. The present rate and types of industries attracted to the area are not regarded as satisfactory by key officials in Peking.

A book recently published by 11 bank executives, academics and economists from China discussed the SEZ currency issue and most linked it with the operation of a second border. One clear message was that Hong Kong currency—now freely circulating in and many open cities in China—must be done away with.

It was suggested that when the planned SEZ currency was issued, it should be pegged at an official rate of HK\$2 to one SEZ yuan although the current official market rate for the Hong Kong dollar and renminbi is HK\$2.7 to the yuan.

More than one author also suggested that in the eventual launching of the SEZ currency, 300 to 400 million SEZ-yuan worth of banknotes should be circulated.

It was also agreed that the non-convertible renminbi has discouraged foreigners from introducing large-scale investment projects into the SEZ. The book's authors believe a freely-convertible SEZ currency must be introduced to improve the situation and a tax-free zone created in by rating it from the rest of the mainland with a second border.

It is understood the original idea was to introduce the two plans simultaneously but the secretary-general of Shenzhen Mr Zou Er kang, said last week this now appears unlikely. He said the second border will come first followed by the SEZ currency.

The book is called "A Study on the Currency and Monetary Problems of the SEZs" and among the authors was Mr Chuang Shih-ping, the chairman of the Nanyang Commercial Bank in Hong Kong, a sister bank of the Bank of China.

Although most of the articles were written towards the end of 1982 they are still relevant because they could influence leaders in Peking. Mr Zou said the articles had been sent to the central government for consideration and Chinese leaders are still studying them.

They were collected and edited by early 1983 but the book was not immediately published because the "time was not yet ripe," the editor said in the preface.

The articles clearly expressed the displeasure of the contributors about the strong Hong Kong dollar in Shenzhen. A senior researcher at Ji Nan University in Canton said: "Unless the Hong Kong currency is banned from circulation in the zone will one day become a subordinate of Hong Kong. Inflation in the territory and fluctuation of its currency will have adverse effects on our trade and economy in the SEZ. In order to get rid of the Hong Kong currency, we must introduce a SEZ currency that is freely convertible."

Other contributors called for a unity of currency in China as part of the country's sovereignty.

Almost all drew on the experience of Hong Kong, Macao and Singapore in discussing the viability of the SEZ currency. All three places have been, or are still, under colonial rule but each has its own currency.

Among interesting points raised in the book was the exchange rate of the future SEZ currency and the amount to be issued. At least two writers suggested it should be one SEZ yuan to HK\$2. This reflects a more realistic rate than the present official rate between renminbi and the Hong Kong dollar which is 1:2.7.

The black market rate over the last year or so has ranged from HK\$1.6 to HK\$2 against the yuan--although the Chinese central government refused to accept that the national currency has fallen in value to such an extent.

One suggestion on the total amount to be issued was 300 to 400 million SEZ yuan. The figure was calculated on the amount of banknotes each average Hong Kong person possessed in 1961. It is relevant to Shenzhen today because 1961 was the time when Hong Kong industry and commerce started growing. But a banker calculated the amount based on figures for present day Hong Kong--and said 576 million to 600 million yuan should be issued.

There were fears that if the SEZ currency is allowed to fluctuate and convert, Hong Kong speculators will get their hands on it which will lead to fluctuations. That would damage the image of China's national currency and affect the healthy growth of the SEZ's economy, wrote an official from Shanghai Social Sciences Institute.

An executive of the People's Bank of China--the country's central bank--wrote his contribution in 1982 and based his estimates on data available then. He said this year would be a good time for issuing an SEZ currency.

By then the agricultural and industrial output of Shenzhen will have reached 1.3 billion yuan and the total income of the zone, which includes workers' wages, land prices and income from tourism, will reach U.S.\$100 million (about HK\$780 million).

The executive added: "Shenzhen will be economically capable of issuing the new currency by this year--this is not a groundless but a reliable estimate."

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HONG KONG MEDIA ON CHINA

SHENZHEN CPC VICE SECRETARY DISCUSSES SECOND CUSTOMS BORDER

HK240721 Hong Kong SOUTH CHINA MORNING POST in English 24 May 85 p 10

[Article from the "South China Bear" column by Albert Chan: "Building Another 'Great Wall'"]

[Text] The Great Wall of Shenzhen--that's how the zone's vice secretary-general, Mr Shu Chengyou, proudly described the second border. In grandiose terms it may not be, but the new customs border will justifiably pride itself as being in the same class as the Great Wall in terms of economic significance to China. Indeed, the new Shenzhen border line will play a key role in China's all-out effort to modernise and get rich.

Doing business with China--even in the Shenzhen Special Economic Zone [SEZ]--can be frustrating because of the many constraints and red tape. Immigration and customs checks are troublesome, bringing necessary equipment into the zone takes too long for approval, remitting profits out of China is never certain...to name just a few of the complaints.

But Peking is determined to change all this and make Shenzhen a capitalist haven (and in the process cream off some benefits). The answer is a second border and a new currency that is free from any form of foreign exchange control.

Together with China's plan to declare the Shenzhen SEZ a tax-free zone, this will provide an ideal testing ground for Peking planners to try out a few bold ideas before deciding on the best model to be adopted nationwide.

Beneficial tax incentives will also encourage investors to inject capital and know-how into China--through pilot tests and experiments conducted first inside the SEZ.

The Chinese Government also believes there will be an improvement in law and order once the border is operational. "It will become a more peaceful zone," Mr Shu said. "The line is not just a control line but a safety line." That is because only those mainlanders legitimately employed to work Shenzhen will be allowed to enter.

Mr Shu remembered Red Guards who caused destruction in Chinese cities during the cultural revolution--but said that would not be possible with the secluded SEZ.

The second border would simplify customs and immigration checks at the present border at Lowu. "Relaxation at Lowu will be implemented gradually along with the enforcement of the second border," he added.

But Mr Shu conceded it is possible Hong Kong residents and businessmen travelling to the mainland via will face more inconvenience than at present when the second border is fully operational. This will arise because travellers will have to undergo two instead of the present single customs and immigration checks.

Mr Shu said the Chinese Government is still working on the best solution to minimise inconvenience. He also reiterated what many Chinese officials have said--that the idea of secluding the SEZ from the rest of the country with a second border is to create a better investment environment for foreigners.

The state will look at both the possibility and need for similar borders in the other three special economic zones, Zhuhai and Shantou in Guangdong and Xiamen in Fujian.

But Mr Shu admitted there had been opposing voices within Chinese bureaucracy on whether the SEZ should be cut off from the rest of the country.

They had asked questions like why Shenzhen should be separated since it was part of China--and why it should enjoy tax-free concessions.

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HONG KONG MEDIA ON CHINA

LIU HONGRU INTERVIEWED ON FINANCIAL POLICIES

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 16, 22 Apr 85 p 18

[Interview by Jin Zhou [6855 3166]: "Can China Be An International Financial Center? Liu Hongru, Deputy Director of the People's Bank of China, Responds"]

[Text] Liu Hongru [0491 7703 0320], deputy director of the People's Bank of China, met with and answered questions from Hong Kong and Macao reporters who called upon Chen Muhua, a member of the State Council and the Director of the People's Bank of China, and the National People's Congress and the Chinese People's Political Consultative Conference, in Beijing on 31 March.

[Question] Is China preparing to issue a special zone currency? When will it be issued?

[Answer] That is a rather complicated question. The plan and the date for issuing this currency are still being studied.

[Question] In 1984 loans increased by more than 90 billion. How can you account for the increase?

[Answer] The main reason was economic development. In 1984 the gross value of industrial output increased 14.1 percent and the total social commodity retail sales figure rose 17.8 percent. Moreover, China's rural enterprises developed, as did the agricultural specialized households. The flow of commodities expanded and therefore the amount of loan funds increased. Of course, some loans were not carefully thought out but these were minor. One point that requires explanation is that the 90 billion increase in lending last year was not entirely used for capital construction. Most of it was used in the flow of production and goods. The capital construction portion only increased by more than 20 billion. More than 60 billion was used to help enterprises undergo technological transformation. Thus, it cannot be said that 90 billion was blindly spent on capital construction.

[Question] Will the RMB be linked to gold and a "gold standard" implemented?

[Answer] Since its first issuance, China's RMB has never been linked to gold. We have not thought about linking it to gold either. We basically

depend on the guarantees provided by the stable prices of goods on the market. This is a complex question. I am not talking about theory but only about practice. We have never considered this question in our practice. At present internationally, currencies are off the gold standard, and this includes the U.S. dollar. No country is truly linked to gold.

[Question] Can the RMB become a freely convertible currency, that is, an international currency? Can China become an international financial center?

[Answer] At present the RMB is not a freely convertible currency nor an international currency. Well then, can it become a freely convertible one? This is a complicated question and there have been theoretical discussions about it. On the one hand, this question requires certain conditions, such as economic development, foreign exchange income, etc. On the other hand, China is a planned commodity economy and China's price structure differs from the international price structures. Therefore we must pay attention to our intimate contacts with the international market and reform appropriately. At the same time we must prevent the unfavorable effects that great fluctuations in the international market have upon China's stable economic development. Thus, this question is still only one of theoretical interest right now. We are still unable to consider it in our practical work.

With reference to the question of whether China can become an international financial center, we cannot consider this question in our actual work yet. Conditions, such as economic development, a developed foreign trade system, and financial services are all necessary to become an international financial center but China still lacks these factors. Moreover China's currency is not freely convertible. Funds cannot freely go in and out of the country, making it very difficult for China to become an international financial center. This question is also related to economic factors and the state's economic policies. Therefore, the question is only one of theoretical interest right now.

[Question] What is China's policy toward the opening of foreign banks in China?

[Answer] In addition to the four foreign banks that have branches in Shanghai at present, China has also decided to permit foreign banks in the special economic zones [SEZ] to set up foreign banks, open for business, or open joint banks with China. For the time being we do not know how foreign banks will operate inland; we must sum up the experience of foreign banks in the SEZ's and can only consider the inland question thereafter. At present the State Council has a preliminary method for administering foreign banks. The specific policies and methods will soon be promulgated.

[Question] Was China's earlier readjustment of the RMB exchange rate artificial?

[Answer] Our adjustment of the RMB exchange rate was not entirely artificial because the exchange rate of the U.S. dollar rose and China's RMB fell correspondingly. In the future we do not plan to artificially alter the RMB

exchange rate but will make comprehensive studies according to the international rates of exchange.

[Question] What is the status of China's stocks and bonds issuance and China's financial markets?

[Answer] Some areas and units in China have already begun to issue stocks and bonds but the system is quite imperfect. We are currently studying management methods which will gradually perfect the system. Through the experience gained by these areas and units, we will formulate laws by degrees. Although the issuance of stocks and bonds is permitted, this is within a stipulated scope and determined conditions. At present, a market for buying and selling has not been created although stocks and bonds have been issued by some areas and units. We are not now considering whether we will open a negotiable securities market in the future because this is a very complicated question that requires study.

[Question] Does China have an inflation problem?

[Answer] According to the Western viewpoint, a rise in the consumer price index is called inflation. If we view things in this light, then China's inflation is miniscule because rises in China's price index are very small. From another viewpoint, the price readjustment we have implemented is of a structural nature. We have adjusted the irrational phenomenon whereby prices deviate too much from value and therefore have induced a minor price rise, but this cannot be considered inflation. This question is being discussed in theory.

[Question] I understand that there is a large call for increased loans. How will banks handle this question?

[Answer] We have adopted a series of control measures to control the scale of loans and the issuance of money. We have different ways of handling places which need funds and we are making structural readjustments in terms of credit and funds. That is to say, enterprises which produce goods needed by the state and the market will be supported in terms of loans in funds while credit for enterprises which produce goods that are not in great market demand will be clamped down so as to improve credit results and accelerate the turnover of funds. Second, we will recall some of the loans made last year so that we can lend more this year. Third, we will choose various channels to accept deposits and expand the sources of funding. At the same time, we will allow enterprises and units to plan a portion of funds on their own via the issuance of stocks and bonds. In this way, we can enliven the economy by controlling credit and funds in the macroeconomic and grand-scale sense while making some structural readjustments and allowing the departments of the state economy to be able to get the credit they normally require. It is incorrect to use "arbitrary uniform" methods in the money market; they are detrimental to enlivening the state economy.

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